N.P. Agro (India) Industries Limited

May 27, 2022

Ratings

Instrument/ Facility*	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	14.50	IVR BBB-/ Stable (IVR Triple B Minus with a Stable Outlook)	Assigned	Simple
Long Term/Short Term Bank Facilities	30.50	IVR BBB-; Stable / IVR A3 (IVR Triple B Minus with a Stable Outlook/ IVR A Three)	Assigned	Simple
Total	**45.00**	**INR Forty-Five Crore Only**		

**Details of Facilities are in Annexure 1*

Detailed Rationale

The ratings assigned to the bank facilities of N.P. Agro (India) Industries Limited (NPAIL) draws comfort from growth in its scale of operations guided by its experienced promoters and management team. Further, the ratings also derive comfort from its comfortable capital structure coupled with moderate debt protection metrics and healthy demand outlook. However, these rating strengths are partially offset by volatility in raw material prices affecting the profitability of the company and its presence in highly fragmented and competitive industry.

Key Rating Sensitivities

Upward Factors

- Sustained improvement in the revenue thereby leading to improvement of profitability and debt protection metrices.
- Improvement in the capital structure coupled with improvement in the debt protection metrics

Downward Factors

- More than expected moderation in scale of operations thereby leading to further deterioration in profitability
- Withdrawal of subordinated unsecured loans aggregating to Rs.23.40 crore or any unplanned capex leading to moderation in the capital structure with deterioration in overall gearing to over 1.5x and/or deterioration in interest coverage to below 2x.

- Moderation in liquidity position with deterioration in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced top management**

NPAIL is engaged in manufacturing of HDPE/PP Woven Fabrics Laminated / Unlamented, HDPE/PP Woven Sacks / Bags & Multicolor Printed BOPP Laminated PP Woven Sacks / Bags, Leno Fabric and Bags. HDPE/PP woven bags/Fabrics are used for the purpose of making bags for cement bags, fertilizers, and food grains like rice, wheat, chemical and flower. NPAIPL has twelve directors, most of them are having an experience of more than two decades in the given industry.

- **Growth in scale of operations**

The operating income of the company witnessed a CAGR of ~36% during FY20-22 with a y-o-y growth of ~64% in FY21 (Aud.) & ~12% in FY22 (Prov.). The growth was driven by healthy demand of Polypropylene woven bags & sacks leading to increase in sales volume and sales realisation. Further, the company also has Government tenders which aided to uplift its revenue. Driven by sustained demand of its products, NPAIL has earned ~Rs.222 crore (gross) of revenue in Provisional FY22. NPAIL has a total production capacity of 20400 MTPA. Capacity utilization remained healthy at ~74.23% in FY21. Going forward, the Polypropylene Woven Bags & Sacks Market is expected to witness sustained growth driven by the favorable growth in the packaging industry.

- **Healthy demand outlook**

The demand outlook for HDPE bags is growing and is expected to grow further.

- **Comfortable capital structure with moderate debt protection metrics**

The capital structure of the company remained comfortable over the past three account closing dates marked by its satisfactory leverage ratios. The company has a moderate net worth base of Rs.16.19 crore as on March 31,2021 (Rs.18.62 crore as on (Prov.) March 31,2022). Further, treating the subordinated debt aggregating to Rs.23.40 crore as quasi equity, the adjusted net worth (ATNW) stood healthy at Rs.39.60 crore (Rs.42.02 crore as on (Prov.) March 31,2022). The debt equity ratio and the overall gearing ratio stood at 0.15x and 0.89x respectively as on March 31,2021 and 0.53x and 0.89x respectively as on March 31,2022. Further, total indebtedness of the company marked by TOL/ATNW also remained satisfactory at

1.63x as on March 31,2021 and at 1.85x as on March 31,2022. The debt protection metrics of the company also remained satisfactory with interest coverage of 2.25x in FY22 (Prov.) and Total debt to EBITDA at 2.10x as on March 31, 2022. Further, total debt to GCA also remained moderate at 7.36 years in FY22 (Prov.).

Key Rating Weaknesses

- **Profitability exposed to volatility in raw material prices**

The main raw material used in the manufacturing process is polymers. The prices of polymers vary with changes in the price of crude oil as polymers are extracted from crude oil. Hence, the operating margins remain vulnerable to input prices, which is also reflected by the impact on margins in FY21 (Aud.) & FY22 (Prov.) due to a rise in input prices. Further, profitability of the company remained thin marked by its thin PAT margin in FY21 Aud.) & FY22 (Prov.). Driven by moderation in interest outgo, the PAT margin remained thin, at 1.09% in FY22 (Prov.)

- **Presence in highly fragmented and competitive industry**

The polymers and polymer products industry are highly competitive and fragmented in nature with several large players and numerous small players. Also, there are many polymer traders in the country serving to various polymer products manufacturers

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity Position: Adequate

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals in the range of ~Rs.6.8-8.9 crore as against its debt repayment obligations in the range of ~Rs.1.5 – Rs.3.2 crore during FY23-25. The company has earned a gross cash accrual of Rs.5.06 crore in FY22 (Prov.). However, the average working capital utilisation of the company in the past 12 months ended in March 2022 remained moderate at ~84% indicating a moderate liquidity buffer.

About the Company

N.P. Agro (India) Industries Limited (NPAIL), incorporated in 1996, is engaged in manufacturing of HDPE/ PP Fabric, Bags, Tarpaulin, Monolayer & Multilayer Films including rotogravure films, master batches & calcium compound. It primarily caters to packaging demand of sugar mills and food grain procurement departments. NPAIL have seven major lines of products, whereby HDPE/PP woven bags/Fabrics are used for the purpose of making bags for cement bags, fertilizers, and food grains like rice, wheat, chemical and flower and PE/HDPE tarpaulin are used in industries for covering road transport vehicles, boats, ferries, swimming pools, shops, houses, shamianas. Other products include Multilayer Films, Rotogravure Printed Material, LLDPE/ Liners/ HM Poly bags, Master Batches, and Calcium Carbonate/ Compound, a popular additive in the manufacture of plastic products.

Financials (Standalone) **(Rs. crore)**

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	197.44	221.56
EBITDA	8.86	10.63
PAT	2.31	2.42
Total Debt	35.35	37.22
Tangible Net worth (Book)	16.19	18.62
Adjusted Tangible Net worth	39.60	42.02
EBITDA Margin (%)	4.49	4.80
PAT Margin (%)	1.17	1.09
Overall Gearing Ratio (x)	0.89	0.89
Interest Coverage Ratio (x)	2.22	2.25

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: CRISIL has maintained the rating of NPAIL in issuer not cooperating category vide its Press Release dated January 24, 2022.

Any other information: Not Applicable

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	10.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	-	-
2.	GECL	Long Term	4.50	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	-	-
3.	Cash Credit	Long Term/ Short Term	29.00*	IVR BBB-; Stable / IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three)	-	-	-
4.	Bank Guarantee	Long Term/ Short Term	1.50	IVR BBB-; Stable / IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three)	-	-	-

** CC has a sublimit of Rs.29.00 crore of WCDL, Rs.2.00 crore of LCBD, Rs. 2.00 crore of ILC & Rs.1.00 crore of Bank Guarantee*

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust, and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	Nov 2025	10.00	IVR BBB-/ Stable
Long Term Fund Based Facilities – GECL	-	-	Sept 2024	4.50	IVR BBB-/ Stable
Long Term/ Short Term Bank Facilities – Cash Credit	-	-	-	29.00*	IVR BBB-; Stable/ IVR A3
Long Term/ Short Term Bank Facilities – Bank Guarantee	-	-	-	1.50	IVR BBB-; Stable/ IVR A3
Total				**45.00**	

** CC has a sublimit of Rs.29.00 crore of WCDL, Rs.2.00 crore of LCBD, Rs. 2.00 crore of ILC & Rs.1.00 crore of Bank Guarantee*

Annexure 2: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-NP-agro-May22.pdf

Annexure 3: List of companies considered for Consolidated Analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.