



Press Release

Nishant Mouldings Private Limited (NMPL)

Aug 08, 2023

Ratings

Sl. No.	Type of Facility	Rated Amount (Rs Cr.)	Ratings	Rating Action	Complexity Indicator
1	Long Term Bank Facilities	110.30	IVR BBB-/ Negative (IVR Triple B Minus/ Negative Outlook)	Reaffirmed and Outlook Revised	Simple
2	Short Term Bank Facilities	3.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
3	Long Term / Short Term Bank Facilities	5.00	IVR BBB-/ Negative/ IVR A3 (IVR Triple B Minus/ Negative Outlook/ IVR A Three)	Assigned	Simple
Total		Rs. 118.30 Cr (Rupees One Hundred and Eighteen Crores and Thirty Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating outlook of Nishant Mouldings Private Limited (NMPL) reflects deteriorating debt coverage metrics. The ratings assigned to the bank facilities of NMPL factors in the long-standing experience of the promoters in the plastic packaging industry, proven operational track record with some of the reputed clienteles and increase in scale of operation.



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The ratings, however, are constrained by the moderate capital structure and modest debt coverage indicators. The company remains exposed to fragmented & competitive nature of the industry.

Key Rating Sensitivities:

Upward Factors

- Sustained & substantial growth in revenue while retaining the operating profit margin, resulting in higher net cash accruals and improved debt coverage indicators.
- Specific credit metrics for rating upgrade include operating margin of above 10% and DSCR of more than 1.5X on a sustained basis.

Downward Factors

- Any decline in revenues and profitability impacting the debt coverage indicators.
- Any elongation of working capital cycle leading to deterioration in capital structure & liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long Operational Track Record and Experienced Promoters:

The company started its operations in 2001 and has a long track record of more than two decades. The promoters have extensive industry experience and an established track record in the plastic packaging industry. Along with the experienced management team the company enjoys the benefit of established relationships with customers and suppliers.

Increasing Scale of Operations and Production Capacity Enhancement:

There is a constant upward trend in the topline for the last three years marked by total income of Rs. 551.59 Cr in FY23(P) (FY22: Rs 426.30 Cr, FY21: Rs 261.46 Cr). The company has consistently undertaken measures to increase production capacity of various PET Preforms by setting up two production units in Silvassa and one unit in Kolkata and a new manufacturing facility at Bangalore for bottles, jars, caps, and closures few years back. The company has installed the latest and efficient moulding machineries to enhance the overall production process as per various client requirements.



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Key Rating Weaknesses

Moderate capital structure and modest debt coverage indicators

The gearing remained high at 2.53 times as on 31st Mar 2023(P) against 2.13 times as on 31st Mar 2022. However, the company has unsecured loans to the extent of Rs.6.37 Crs from directors and shareholders which are reported to be interest free and considered as Quasi Equity. Adjusted gearing is, therefore, 2.22 times as of Mar 31, 2023 (P). Interest coverage ratio deteriorated to 1.86x as on 31st Mar 2023(P) against 1.99 times as on 31st Mar 2022. TOL/ TNW (including quasi equity) improved marginally to 2.73x as on 31st Mar 2023(P) from 2.99 times as on 31st Mar 2022.

Increased Long Term Debt Obligation:

The Company has undertaken debt-funded capex to further enhance its installed capacity. The increased term debt along with increased ECLGS loans is likely to exert pressure on the debt servicing position of the Company.

Susceptibility to changes in government regulations:

The company manufactures plastic packaging products and hence is exposed to government regulations pertaining to production of plastics, pollution, and crude oil. Any change in the regulations by the government may impact the production capacity and price margins and overall business of the company.

Susceptibility of margins to fluctuation in raw material prices and intense competition in the fragmented industry:

The plastic industry is highly fragmented and is marked by the presence of many large players and small players in the market. The current situation is vulnerable due to the Ukraine-Russia war which impacts the prices of PET granules (major raw material of NMPL) as it is directly linked to the volatility in crude oil prices. This intensifies competition and limits the pricing flexibility of the industry participants. However, the same is reduced as the company pledges the change in pricing to customers with almost immediate effect.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Stretched

The liquidity position of the company is stretched on account of high utilisation of working capital facilities at ~90% for the past 12 months ended March 2023. The gross cash accruals may not be sufficient to meet the maturing debt obligations over the next 12 months. However, in FY22, the company increased the equity share capital to Rs 0.60 Cr (FY21: Rs 0.45 Cr). The additional equity was issued at premium resulting in increase of Share Premium to Rs 34.29 Cr (Rs 9.59 Cr). The equity infusion was done with a blend of converting unsecured loan to equity & infusion of fresh funds. Additionally, to support the liquidity Promoters have further infused Rs. 6.37 Cr of Unsecured loans in FY23 which is treated as Quasi equity. The promoters indicated there will be further infusion of funds on a need basis, if required. The company's cash and bank balance stood moderate at Rs.8.90 Crore as of 31 March 2023 (P). Current ratio stood moderate at 1.15x and operating cycle is moderate at 50 days as of 31st Mar 2023 (P).

About the Company

Nishant Mouldings Pvt. Ltd. (NMPL) was incorporated in 2001 at Bengaluru, Karnataka as a Manufacturer, Supplier and Exporter of PET (Polyethylene Terephthalate) Preforms, PET Jars, PET Bottles, etc. The company is in the Packaging Industry that provides PET packaging solutions to a plethora of dealers in the diverse market segments of FMCG sector. NMPL manufactures products in various designs, colours, and sizes under the brand name of Fortuna Pet. It's a family-owned business run by three directors Biz. Mr. Mahendra Bafna, Mr. Pankaj Bafna and Mr. Nishant Bafna.



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Financials (Standalone):

INR in Crores

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	421.81	546.57
EBITDA	34.76	43.39
PAT	4.86	6.60
Total Debt	126.37	160.58
Tangible Net worth (Adjusted)	59.91	72.46
EBIDTA Margin (%)	8.24	7.94
PAT Margin (%)	1.14	1.20
Overall Gearing ratio (X) (Adjusted)	2.11	2.22

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: Brickwork ratings has continued to classify the rating as ISSUER NOT COOPERATING category vide PR dated April 27th, 2023 on account of non-availability of information and lack of cooperation from the client.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding /Proposed (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 PR dated 9 May 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan (Outstanding)	Long Term	39.81	IVR BBB-/Negative	IVR BBB-/Stable	-	-
2.	ECLGS (Outstanding)	Long Term	9.49	IVR BBB-/Negative	IVR BBB-/Stable	-	-
3.	Cash Credit	Long Term	56.00	IVR BBB-/Negative	IVR BBB-/Stable	-	-
4.	WCDL	Long Term	5.00	IVR BBB-/Negative	IVR BBB-/Stable	-	-



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5.	DLOD	Long-Term/ Short -Term	5.00	IVR BBB-/ Negative/ IVR A3	-		
6.	Supplier Bill Disc.	Short Term	3.00	IVR A3	IVR A3	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Sl. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
1	Long Term Fund Based Facilities Vehicle Loan/ Equipment Loan (Outstanding)	-	-	Up to June 2027	39.81	IVR BBB- /Negative
2	Long Term Fund Based Facilities ECLGS (Outstanding)	-	-	Up to Jan 2028	9.49	IVR BBB- /Negative
3	Long Term Fund Based Facilities Cash Credit	-	-	-	56.00	IVR BBB- /Negative
4	Long Term Fund Based Facilities WCDL	-	-	-	5.00	IVR BBB- /Negative
5	Long Term/ Short Term Fund Based Facilities DLOD	-	-	-	5.00	IVR BBB-/ Negative/ IVR A3
6	Short Term Fund Based Facilities Supplier Bill Disc.	-	-	-	3.00	IVR A3



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-NMPL-aug23.pdf>

Annexure 4: Detailed explanation of covenants of the rated 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.

