

CREDIT RATING REPORT

FEBRUARY 2023

Tokyo Plast International Limited

Instrument Rated	
Total Bank Loan Facilities Rated	Rs.28 Crore
Long Term Rating	CRISIL BB+/Stable (Assigned)
Short Term Rating	CRISIL A4+ (Assigned)
<i>Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.</i>	
<i>1 crore = 10 million</i>	
<i>Refer to Annexure for Details of Instruments & Bank Facilities</i>	

Rating History			
Date	Long Term Rating	Short Term Rating	Rating Watch/Outlook
Dec 23, 2022	CRISIL BB+	CRISIL A4+	Stable

Detailed Rationale

CRISIL has assigned its CRISIL BB+/Stable/CRISIL A4+ ratings to the bank facilities of Tokyo Plast International Ltd (TIPL).

The ratings reflect the extensive experience of the promoters in the household plastic products industry and an above-average financial risk profile. These strengths are partially offset by large working capital requirement, susceptibility to volatility in raw material prices and moderate scale of operations.

Key Rating Drivers

Strengths:

- Extensive experience of the promoters
- Above-average financial risk profile

Weaknesses:

- Large working capital requirement
- Susceptibility to volatility in prices of raw materials
- Moderate Scale of operations

Outlook Stable

CRISIL believes TIPL will continue to benefit from the extensive experience of the promoters.

Rating Sensitivity factors

Upward factors

- * Sustained increase in revenue while maintaining the operating margin, leading to cash accrual of more than Rs 5 crores
- * Improvement in the working capital cycle

Downward factors

- * A steep decline in revenue or in the operating profitability margin to below 3%, leading lower-than-expected cash accrual
- * A stretch in the working capital cycle or large, debt-funded capex, weakening the capital structure

About the Company

TIPL, set up in 1992 by Mr Velji Shah, manufactures all types of plastic thermoware products which includes products like lunch boxes, ice cooler boxes, ice jugs etc. It markets it under brand name "Pinnacle" and exports more than 85%. TIPL's manufacturing facility is in Daman and Kandla in Gujarat.

Rating is driven by following strengths

Extensive experience of the promoters :

Benefits from the four-decade-long experience of the promoters in the household plastic products industry have enabled the promoters to establish healthy relationship with the suppliers and customers. The top 5 customers contributed less than 20% to the total sales. TIPL has a strong brand recall and have established strong presence in the exports market which contributes 85% to the total revenues. Revenues have grown to Rs 80 crores in Fiscal 2022 from Rs 60.8 crores in Fiscal 2020.

Above-average financial risk profile:

Financial risk profile is comfortable marked by net worth of Rs 59 crores as on March 31, 2022. Capital structure was comfortable with gearing and total outside liabilities to adjusted net worth of 0.25 times and 0.48 times, respectively, as on March 31, 2022. Debt protection metrics have been healthy with interest coverage of 2.96 times and net cash accruals to adjusted debt of 0.19 times for Fiscal 2022. With no debt-funded capital expenditure (capex) over the medium term and steady accretion to reserve, the financial risk profile is expected to remain comfortable over the medium term.

Rating is constrained by following weaknesses

Large working capital requirement: Gross current assets were at 258 days as on March 31, 2022, on account of the high debtor and inventory days. Company extends higher credit period of 3-4 months to the regular customers who are associated with them since a long time and hence the debtor days are high. Inventory is order backed mostly, but company needs to maintain an inventory of around 3-4 months to due to higher import time of raw materials. Working capital cycle is partially supported by credit from suppliers and partially from working capital facility.

Susceptibility to volatility in prices of raw materials: Operating margin is susceptible to fluctuations in High Density Polyethylene which is the primary raw material. The prices of the raw materials are impacted by global crude oil prices, making them highly volatile. Any sharp increase in the price will impact profitability. Operating margins has declined from 6.93% in Fiscal 2020 to 5.01% in Fiscal 2022.

Moderate Scale of operations: Despite of being in the industry for more than 25 years, TIPL has moderate scale of operations as reflected in revenues of Rs 80 crores in Fiscal 2022. Moderate scale restricts bargaining power with customers and suppliers and will remain a key monitorable.

Liquidity: Adequate

Cash accrual is expected to be Rs 3.5-4.3 crores against nil repayment obligations over the medium term. Bank limits were moderately utilized at around 75% for the last 12 months ended October 2022. Current ratio was healthy at 2.49 times as on March 31, 2022. Cash and bank balance stood at Rs 80.92 lacs as on March 31, 2022.

Financial policy

TIPL follows a conservative financial policy as reflected in gearing of 0.25 times as on March 31, 2022.

Hedging policy

TIPL hedges 40% of its forex exposure through forward contracts, remaining remains unhedged.

Dividend policy

TIPS has not declared any dividend in Fiscal 2022

Key Financial Indicators (Standalone)

As on for the year ended March 31	Unit	2022	2021	2020
		Actuals	Actuals	Actuals
Net Sales	Rs Crore	80	62	59
Operating Income	Rs Crore	80	63	61
OPBDIT	Rs Crore	4	4	4
PAT	Rs Crore	0	0	1
Net Cash Accruals	Rs Crore	3	3	4
Equity Share Capital	Rs Crore	10	10	10
Adjusted Networkth	Rs Crore	59	58	57
Adjusted Debt	Rs Crore	15	14	12
OPBDIT Margins	%	5.0	5.7	6.9
Net Profit Margins	%	-0.2	0.2	1.3
ROCE	%	1.6	1.4	2.1
PBDIT / Int. & Finance Charges	Times	2.96	4.32	3.09
Net Cash Accruals / Adjusted Debt	Times	0.19	0.20	0.29
Adjusted Debt / Adjusted Networkth	Times	0.25	0.24	0.21
Adjusted Debt / PBDIT	Times	3.69	3.84	2.88
Current Ratio	Times	2.49	2.44	2.85
Cashflow from operations	Rs Crore	2	1	-10
TOL/ ANW	Times	0.48	0.47	0.38
Operating Income/Gross Block	Times	1.61	1.41	1.53
Gross Current Assets days	Days	258	336	338
Debtor Days	Days	76	127	104
Inventory Days	Days	113	118	134
Creditor Days	Days	27	50	37

Annexure 1: Bank-Details of Facility Classes

1.Cash Credit

#	Bank	Amount (Rs.Cr.)	Rating
a.	The Federal Bank Limited	3.5	CRISIL BB+ / Stable

-	Total	3.5	-
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2. Letter of Credit

#	Bank	Amount (Rs.Cr.)	Rating
a.	The Federal Bank Limited	3	CRISIL A4+
-	Total	3	-

3. Proposed Fund-Based Bank Limits

#	Bank	Amount (Rs.Cr.)	Rating
a.		5	CRISIL BB+ / Stable
-	Total	5	-

4. Pre Shipment Packing Credit

#	Bank	Amount (Rs.Cr.)	Rating
a.	The Federal Bank Limited	16.5	CRISIL BB+ / Stable
-	Total	16.5	-