



Press Release

Zenith Metaplast Private Limited (ZMPL)

October 24, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities - Term Loan	7.61	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+ Stable (IVR Double B Plus with Stable Outlook)	Upgraded	Simple
Long Term Fund Based Bank Facilities - GECL	25.68	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+ Stable (IVR Double B Plus with Stable Outlook)	Upgraded	Simple
Long Term Fund Based Bank Facilities - Cash Credit	56.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+ Stable (IVR Double B Plus with Stable Outlook)	Upgraded	Simple
Short Term Non-Fund Based Facilities - Letter of Credit	48.50	IVR A3 (IVR A Three)	IVR A4+ (IVR A Four Plus)	Upgraded	Simple
Short Term Non-Fund Based Facilities - Bank Guarantee	6.00	IVR A3 (IVR A Three)	IVR A4+ (IVR A Four Plus)	Upgraded	Simple
Total		144.29 (Rupees One Hundred and Forty-Four crore and Twenty-Nine Lakhs only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded its rating assigned to the bank facilities of Zenith Metaplast private Limited (ZMPL). The upgradation of the ratings takes into account the improvement in company's financial performance in FY23 (refers to period from April 1, 2022, to March 31, 2023) and FY24 (refers to period from April 1, 2023 to March 31, 2024). The ratings continue to factor in the established track record of operations, extensive experience of the promoters & management team, healthy order book position and orders from reputed clientele in pipeline providing short to medium term revenue visibility and comfortable financial risk profile. However, the rating strengths are partially offset by working capital intensive nature of business, highly fragmented and competitive nature of the sector and susceptibility of operating margin to volatile input prices. The outlook is stable in view of extensive experience of the management and sustained improvement in company's financial performance.



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Key Rating Sensitivities:

Upward Factors

- Improvement in liquidity position by reducing dependency on working capital borrowing.
- Increase in scale of operations, Improvement in profitability and debt coverage indicators on consistent basis.

Downward Factors

- Sustained decline in revenue & profitability impacting liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established business with extensive industry experience of promoters**

Though ZMPL was established in 1994, the group started business in 1984. Since then, the Company has developed a diversified portfolio containing modular furniture, soft and hard luggage, writing instruments, electric control panels etc. The Promoters have been fully involved with the Company since its establishment and have industry experience of over 35 years.

- **Reputed customer base backed by confirmed order book**

Customers of ZMPL are well known retail names in modular furniture and luggage. ZMPL being an OEM, follows a B2B business model with these companies. As major orders are from these companies, they lower the counter party risk of ZMPL. In addition to these companies, ZMPL has a strong order book from government entities. The company currently has an order book worth Rs. 415 crore as of October 2024, of which ~Rs. 200 crore orders are to be executed by February 2025 while the balance are ongoing orders with reputed clientele such as Samsonite, Reliance, Vertiv, Samsung, Walmart (export business), etc. in luggage as well as furniture division to be executed in FY25.

- **Improvement in financial performance**

The Company's total operating income has registered a CAGR growth of 51.68% from Rs. 215.19 crore in FY21 to Rs. 495.09 crore in FY23 (FY refers to period from April 1 to March



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31) while PAT witnessed a notable CAGR growth of about 130% during the period from Rs. 1.22 crore in FY21 to Rs. 6.46 crore in FY23. Further, in FY24, while the revenue witnessed a decline due to delayed off-take of an order, PAT registered an increase and stood at Rs. 12.54 crore during the year on back of increase in non-operational income.

- **Comfortable financial risk profile**

ZMPLs financial profile is marked by comfortable net worth, moderate leverage and debt protection metrics and moderate profitability. The networth of the company stood at Rs. 32.34 crore as on March 31, 2023 as against Rs. 25.63 crore as on March 31, 2022, it has further increased to Rs. 44.34 crore in FY24. The overall gearing of the company on ATNW stood moderate at 2.27 times as on March 31, 2023 as against 2.90 times and 3.19 times as on March 31, 2022 and March 31, 2021 respectively. The same has improved to 2.20 times as on March 31, 2024. Interest coverage ratio (ISCR) and debt service coverage ratio (DSCR) of the company stood moderate at 1.55 times and 1.24 times respectively in FY23. The same has improved to 1.82 times and 1.33 times respectively in FY24.

Key Rating Weaknesses

- **Working Capital intensive nature of business**

The operations of the company are working capital intensive, where high inventory & receivables are required to be maintained. This was reflected in its high working capital utilisation during the last twelve months ended July 2024. However, the inventory holding period and debtors days moderated during FY23 to 35 days and 47 days respectively. Further, in FY24, while inventory period further moderated to 28 days, collection period increased to 71 days.

- **Moderate capital structure and debt coverage indicators**

The capital structure of the company remained moderately leveraged with long term debt equity ratio on ATNW of 1.56x and 1.40x as on March 31, 2023 and March 31, 2024 respectively. Further, overall gearing on ATNW stood at 2.27x and 2.18x during the aforementioned period. Interest coverage ratio stood at 1.55x as on March 31, 2023 while it improved to 1.82x as on March 31, 2024.



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- **Susceptibility to volatility in prices of raw materials**

The prices of the key raw material, polypropylene granules, are highly volatile as it is a crude oil derivative. The business risk profile and profitability of the company will continue to remain susceptible to volatility in raw material price.

- **Highly fragmented and competitive industry**

The company is engaged in manufacturing modular furniture, which is highly fragmented nature of business and the industry is dominated primarily by unorganized market and small players. Resultantly, leading to intense competition and pricing pressure, which in turn result in thin margins. Further, while the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of concern as the same can dent the margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the Company remained adequate as reflected in its gross cash accruals of Rs. 11.19 crore and Rs. 14.29 crore in FY23 and FY24 respectively as against maturing debt obligations of Rs. 6.02 crore and Rs. 12.21 crore. The current ratio stood comfortable at 1.15x as on March 31, 2024. The fund based average working capital utilisation stood high at ~90% for the past 12 months ended July 2024. Further the company presently does not have any major debt-led capex plans.



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About the Company

Zenith Metaplast Pvt Ltd (ZMPL) incorporated in 1994 is a Nashik, Maharashtra based company involved in manufacturing of modular furniture, soft and hard luggage, writing instruments, electrical control panel, sheet metal fabrication, irrigation products, tools, mould, dies and fixtures, etc. Along with servicing orders from corporates, the company has also entered into furnishing orders for various State government projects via tenders. The company has manufacturing units at MIDC, Satpur, Nashik, Maharashtra, for soft luggage, and various units at MIDC, Sinnar, Nashik, Maharashtra, for hard luggage, modular furniture and steel furniture. It also has a unit dedicated for furniture segment at Mysore, Karnataka. Further, it also has a unit used as a warehouse in Hingana, Nagpur, Maharashtra.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31.03.2023	31.03.2024
	Audited	Audited
Total Income	497.94	423.77
EBIDTA	31.16	34.54
PAT	6.46	12.54
Total Debt	126.06	149.53
Adjusted Tangible Net Worth	55.60	68.56
EBDITA Margin (%)	6.29	8.20
PAT Margin (%)	1.30	2.96
Overall Gearing Ratio (x) on Net Adjusted TNW	2.27	2.18
Interest Coverage Ratio (X)	1.55	1.82

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CARE Ratings, vide its Press release dated June 13, 2024 continued to retain the rating of ZMPL to "Issuer Not Cooperating" on account of inadequate information and lack of management cooperation for monitoring the rating.

Any other information: Not Applicable

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					Date (August 08, 2023)	Date (June 23, 2022)	Date (April 15, 2021)
1.	Long term Bank Facilities - Term Loan	Long term	7.61	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+ /Stable	IVR BB+ /Stable	IVR BB+ /Stable
2.	Long Term Fund Based Bank Facilities – GECL	Long term	25.68	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+ /Stable	IVR BB+ /Stable	IVR BB+ /Stable
3.	Long Term Fund Based Bank Facilities - Cash Credit	Long term	56.50	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+ /Stable	IVR BB+ /Stable	IVR BB+ /Stable
4	Short Term Non-Fund Based Facilities - Letter of Credit	Short term	48.50	IVR A3 (IVR A Three)	IVR A4+	IVR A4+	IVR A4+
5	Short Term Non-Fund Based Facilities - Bank Guarantee	Short term	6.00	IVR A3 (IVR A Three)	IVR A4+	IVR A4+	IVR A4+

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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



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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.

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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term Bank Facilities - Term Loan	-	-	-	November 2030	7.61	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Long Term Fund Based Bank Facilities - GECL	-	-	-	October 2027	25.68	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Long Term Fund Based Bank Facilities - Cash Credit	-	-	-	Revolving	56.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)



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Short Term Non-Fund Based Facilities - Letter of Credit	-	-	-	On Demand	48.50	IVR A3 (IVR A Three)
Short Term Non-Fund Based Facilities - Bank Guarantee	-	-	-	On Demand	6.00	IVR A3 (IVR A Three)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-zenith-oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security		Detailed Explanation
	Financial Covenant	
	i.	
	ii.	
	Non-financial Covenant	
	i.	
	ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.