Press Release

East Hooghly Polyplast Private Limited

February 22, 2021

Rating Upgraded

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Upgraded)
Short Term Rating	ACUITE A3+ (Upgraded)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded the long term rating to **'ACUITE BBB' (read as ACUITE triple B)** from **'ACUITE BBB-' (read as ACUITE triple B minus)** and short term rating to **'ACUITE A3+' (read as ACUITE A three plus)** from **'ACUITE A3' (read as ACUITE A three)** on the Rs.15.00 crore bank facilities of East Hooghly Polyplast Private Limited (EHPPL). The outlook is **'Stable'**.

The rating upgrade is on account of consistent improvement in overall business risk profile marked by increase in revenue and profitability margin of the group along with a comfortable financial risk profile. The revenue of the group has improved to Rs.91.49 crore in FY2020 as compared to Rs.72.67 crore in the previous year. The group has earned Rs.79.70 crore till 31st December 2020 (Provisional). The operating profitability margin of the group has slightly improved and stood healthy at 13.61 per cent in FY2020 as compared to 13.55 per cent in the previous year. The net profitability margin of the group also improved to 6.09 per cent in FY2020 as compared to 5.47 per cent in the previous year. The upgrade also reflects the financial risk profile of the group characterised by improving networth, low gearing and healthy debt protection metrics.

East Hooghly Polyplast Private Limited was established in the year 2009 by Mr. Krishna Chandra Mondal, Mr. Mainak Mondal, Mr. Bimal Pal and Mr. Kamal Pal. The company is engaged in manufacturing of various kinds of LDPE Tarpaulin, Leno Bags, Sand Bag with an installed capacity of 5500 MTPA. The company's manufacturing facility is located in Hooghly, West Bengal.

About the group

East Hooghly Agro Plantation Pvt Ltd was incorporated in 2015 and started its commercial operation in 2017. The company is promoted by Mr. Krishna Chandra Mondal, Mr. Mainak Mondal, Mr. Bimal Pal and Mr. Kamal Pal. The company is engaged in manufacturing of HDPE tarpaulin and Woven Sacks with an installed capacity of 3900 MTPA. The company also started manufacturing of flexible HDPE pipes from September 2019. The company has its manufacturing facility located at Hooghly, West Bengal.

Analytical Approach:

Acuité has consolidated the financial and business risk profile of East Hooghly Polyplast Private Limited (EHPPL) and East Hooghly Agro Plantation Private Limited (EHAPPL). The same is on account of common management, same line of operations and significant operational and financial linkages. The group is herein being referred to as East Hooghly Group. Extent of consolidation: Full

Key Rating Drivers:

Strengths

Established track record of operation and experienced management

The group has a long execution track record of 10 years in the plastic & polymers industry and is one of the leaders in the manufacturing of tarpaulin in the eastern part of the country. The promoter of the group Mr. Krishna Chandra Mondal, Mr. Mainak Mondal, Mr Bimal Paul and Mr Kamal Paul possesses more than a decade of experience in the plastic and polymers industry. The group has a long presence in this sector and has established a healthy relationship with customers for more than a decade.

Healthy financial risk profile
The financial risk profile of the group is marked by healthy net worth, low gearing and strong debt protection metrics. The net worth of the group stood healthy at Rs.32.03 crore in FY 2020 as compared to Rs 23.30 crore in FY2019. This improvement in networth is mainly due to the retention of current year profit. Acuité has considered Rs.6.11 crore of unsecured loan as quasi capital as the same amount is subordinated to bank debt. The gearing of the group stood low at 0.51 times as on March 31, 2020 when compared to 0.86 times as on March 31, 2019. This improvement in gearing is mainly on account of repayment of long term debt and improvement in networth of the group during the period. Interest coverage ratio (ICR) is healthy and stood 5.13 times in FY2020 as against 4.62times in FY 2019. The debt service coverage ratio (DSCR) of the group also stood healthy at 2.39 times in FY2020 as compared to 2.07 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.56 times in FY2020 as compared to 0.37 times in the previous year. Going forward, Acuité believes the financial risk profile of the group will remain healthy backed by no major debt funded capital expenditure plan over the medium term along with steady cash accruals.

Healthy profitability margin
The operating profitability margin of the group have slightly improved and stood healthy at 13.61 per cent in FY2020 as compared to 13.55 per cent in the previous year. This is mainly on account of decrease in raw material price during the period. The net profitability margin of the group also stood healthy at 6.09 per cent in FY2020 as compared to 5.47 per cent in the previous year. Acuité believes the profitability margin of the group will be sustained at current levels over the medium term on account of their established track record in the eastern part of the country.

Weaknesses

Working capital intensive nature of operation
The working capital intensive nature of operation of the group is marked by high gross current asset (GCA) days of 154 days in FY2020 as compared to 146 days in the previous year. The inventory holding period of the group stood high at 110 days in FY2020 as compared to124 days in the previous year. This high inventory is due to inventory pile up of finished goods during the year end, which coincided with the nation-wide lockdown. The debtor days of the group stood comfortable at 36 days in FY2020 as compared to 21 days in the previous year. Acuité believes that the ability of the group to manage its working capital operations efficiently will remain a key rating sensitivity.

Moderate scale of operation
The revenue of the group stood moderate at Rs.91.49 crore in FY2020 as compared to Rs.72.67crore in the previous year. This improvement in revenue of the group is mainly on account of increase in volume sales during the period and increase in average realization on account of high demand for LDPE tarpaulin during the period. The group has earned the revenue of Rs.79.70 crore till 31st December in current fiscal (Prov.). Acuité believes that the revenue of the group will increase on account of increase in the ongoing demand in the market and well established presence in the eastern part of the country.

Rating Sensitivity
- Ramp up of operations while maintaining their profitability margin
- Sustenance of their conservative capital structure
- Working capital management

Material Covenant
None

Liquidity Position: Adequate
The group has adequate liquidity marked by healthy net cash accruals of Rs.9.06 crore as against Rs.2.75 crore long term debt obligations in FY2020. The cash accruals of the group are estimated to remain in the range of around Rs. 9.78 crore to Rs. 12.33 crore during 2021-23 as against Rs. 1.80 crore of long term debt obligations in FY2021, and Rs.1.28 crore of long term obligations in FY2022 and in FY2023, respectively. Further, the liquidity of the group is also strengthened by the unencumbered cash of Rs.2.31 crore in FY2020. The current ratio of the group stood comfortable at 1.47 times in FY2020. However, the working capital management of the group is marked by Gross Current Asset (GCA) days of 154 days in FY2020. The bank limit of the group has been ~87 percent utilized during the last six months ended in January 2021. Moreover, the group has availed the COVID emergency fund of Rs. 3.84 crore. The said loan has to be repaid over a period of 4 years including 1 year of moratorium. However, the group has not availed the loan moratorium till August 2020. Acuité believes that the liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accruals

against long debt repayments over the medium term.

Outlook: Stable

Acuité believes the group will maintain a stable business risk profile over the medium term. The group will continue to benefit from its experienced management and established association with customers and suppliers along with healthy financial risk profile. The outlook may be revised to "Positive" in case the group registers significant improvement in scale of operations while sustaining their profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the group's scale of operations and profitability or capital structure, or in case of further elongation of working capital cycle.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	91.49	72.67
PAT	Rs. Cr.	5.57	3.97
PAT Margin	(%)	6.09	5.47
Total Debt/Tangible Net Worth	Times	0.51	0.86
PBDIT/Interest	Times	5.13	4.62

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	97.16	66.39
PAT	Rs. Cr.	4.43	3.08
PAT Margin	(%)	4.56	4.64
Total Debt/Tangible Net Worth	Times	0.39	0.82
PBDIT/Interest	Times	6.78	5.62

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition –https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities – https://www.acuite.in/view-rating-criteria-59.htm
- Financial Ratios And Adjustments – https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-60.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
13-Dec-2019	Term Loan	Long Term	1.23	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	7.65	ACUITE BBB-/Stable (Assigned)
	Proposed Long Term Facility	Long Term	2.12	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A3 (Assigned)

10-Dec-2016	Term Loan	Long Term	5.17	ACUITE BB-/Stable (Suspended)
	Cash Credit	Long Term	5.40	ACUITE BB-/Stable (Suspended)
	Proposed Cash Credit	Long Term	4.60	ACUITE BB-/Stable (Suspended)
	Proposed Letter of Credit	Short Term	1.00	ACUITE A4+ (Suspended)
	Bank Guarantee	Short Term	0.28	ACUITE A4+ (Suspended)
	Proposed Bank Guarantee	Short Term	1.22	ACUITE A4+ (Suspended)
16-Oct-2015	Term Loan	Long Term	5.17	ACUITE BB-/Stable (Assigned)
	Cash Credit	Long Term	5.40	ACUITE BB-/Stable (Assigned)
	Proposed Cash Credit	Long Term	4.60	ACUITE BB-/Stable (Assigned)
	Proposed Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	0.28	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	1.22	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.65	ACUITE BBB/Stable (Upgraded)
Working capital Term Loan	Not Applicable	Not Applicable	Not Applicable	1.49	ACUITE BBB/Stable (Assigned)
Term Loan	Sep 2016	11.45%	Dec 2024	1.23	ACUITE BBB/Stable (Upgraded)
Proposed Long Term Credit	Not Applicable	Not Applicable	Not Applicable	0.63	ACUITE BBB/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3+ (Upgraded)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.