

Press Release

East Hooghly Polyplast Private Limited

April 28, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	4.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

About the Company

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, Woven Sacks and flexible HDPE pipes with an installed capacity of 3900 MTPA. The company has its manufacturing facility located at Hooghly, West Bengal.

Analytical Approach

Acuite has consolidated the financial and business risk profile 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

Long track record of operation and experienced management

The group has a long execution track record of 10 years in the plastic 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.

Moderate scale of operation coupled with healthy profitability margin

The revenue of the group stood moderate at Rs.113.43 crore in FY2021 as compared to Rs.91.49 crore 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. Currently the group has achieved the revenue of Rs.149.39 crore till 31st January in FY'22 (Prov.). This significant increase in revenue during 10MFY2022 is mainly on account of continuous increase in average realization per unit which led to increase the overall top-line of the group despite of decrease in volume sales as compared to FY2021. Acuité believes that the revenue of the group will increase on account of increase in the steady demand in the market and well established presence in the eastern part of the country.

The operating margin of the group stood healthy at 13.44 per cent in FY2021 as compared to 13.87 per cent in the previous year. However, this slight decline in operating profitability margin is on account of increase in raw material price during the period. Further, the operating margin of the group is expected to maintain at same level during FY2022 backed by increase in overall realization during the same period. The net profitability margin of the company also stood healthy at 6.81 per cent in FY2021 as compared to 5.98 per cent in the previous year. Acuité believes that the profitability margin of the group will remain healthy on account of steady demand for LDPE tarpaulin, HDPR tarpaulin, LDPE hose pipe in the domestic market.

Healthy financial risk profile

The financial risk profile of the group is marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the group stood moderate at Rs.35.90 crore in FY 2021 as compared to Rs 28.19 crore in FY2020. Acuité has considered Rs.2.27 crore of unsecured loan as quasi capital as the management undertakes that the same amount is subordinated with bank debt. The network of the group is expected to increase further in FY2022 (Prov.).The gearing of the group stood low at 0.73 times as on March 31, 2021 when compared to 0.71 times as on March 31, 2020. The gearing of the group is expected to improve and maintain at the lower side during FY2022 (Prov.).Interest coverage ratio (ICR) is healthy and stood 7.84 times in FY2021 as against 5.22 times in FY 2020. The debt service coverage ratio (DSCR) of the group also stood healthy at 2.76 times in FY2021 as compared to 2.37 times in the previous year. The overall coverage indicators is also expected to remain at the same level during FY2022 (Prov.). The net cash accruals to total debt (NCA/TD) stood comfortable at 0.43 times in FY2021 as compared to 0.45 times in the previous year. Going forward, Acuité believes the financial risk profile of the group will remain healthy on account steady cash accruals and no major capex plan in the near term.

Weaknesses

Working capital intensive nature of operation

The working capital management of the company is marked by high GCA days of 179 days in FY2021 as compared to 154 days in FY2020. This high GCA day is mainly on account of the high inventory days of the group of 103 days in FY2021 as compared to 110 days in the previous

year. The collection period of the company also stood moderate at 59 days in FY2021 as compared to 36 days in the previous year. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Competitive and fragmented nature of operations-

The group is operating in competitive and fragmented nature of industry. There are several players engaged in the Plastic Packaging industry in organized and unorganized sector. Hence, the group might face pricing pressure from other competitors. Therefore, having an established brand name is of utmost importance in this industry along with continuous addition of value added products in the product offerings.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

The group has moderate liquidity marked by comfortable current ratio of 1.55 times in FY2021. The bank limit of the group has been ~97 percent utilized during the last six months ended in February 2022. The working capital intensive nature of the group is marked by high Gross Current Asset (GCA) days of 179 days in FY2021. However, Acuité draws comfort from the net cash accruals of the company which stood at Rs.11.22 crore as against Rs.2.75 crore long term debt obligations in FY2021. The cash accruals of the group are estimated to remain in the range of around Rs. 18.44 crore to Rs. 22.72 crore during 2022-23 as against Rs.2.75 crore long term debt obligations in FY2022 and Rs.3.27 crore in FY2023 respectively. Acuité believes that the liquidity of the group is likely to improve over the medium term on account of increase in 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

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	113.43	91.49
PAT	Rs. Cr.	7.72	5.47
PAT Margin	(%)	6.81	5.98
Total Debt/Tangible Net Worth	Times	0.73	0.71
PBDIT/Interest	Times	7.84	5.22

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Feb 2021	Bank Guarantee	Short Term	4.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	1.23	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	7.65	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Term Loan	Long Term	1.49	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	0.63	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
13 Dec 2019	Proposed Bank Facility	Long Term	2.12	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.23	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	7.65	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3+ Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.65	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.63	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	30-09-2016	11.45	31-12-2024	1.23	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.49	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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