



Press Release
East Hooghly Polyplast Private Limited
July 12, 2023
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	-	-

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**'.

Rationale for rating reaffirmation

The rating takes into cognizance the stable business risk profile of the group buoyed by improving revenue from operations along with healthy profitability margins. The improvement is majorly driven by improvement in sales volume supported by better realization of its products. The rating also factors in the above average financial position as reflected by low gearing and comfortable debt protection metrics. The rating also draws comfort from the established operations of the group along with experienced management. The liquidity position of the group remains adequate with steady cash accruals against mature debt obligations.

However, these strengths are however, partly offset by working capital intensive nature of operations along with competitive and fragmented nature of industry.

About the Company

West Bengal-based, 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 and HDPE Tarpaulin with an installed capacity of 5500 MTPA. The company's manufacturing facility is located in Hooghly, West Bengal.

About the Group

West Bengal-based, East Hooghly Agro Plantation Private Limited 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, PP Leno Bag, HDPE Pipe and LPDE Hose Pipe with an installed capacity of 11520 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

- **Stable business operations with improving profitability and experienced management**

The group has an extensive track record of 10 years in the plastic industry and is a prominent player in the tarpaulin manufacturing sector in the eastern region. Mr. Krishna Chandra Mondal, Mr. Mainak Mondal, Mr. Bimal Paul, and Mr. Kamal Paul, who are the promoters of the group, possess over a decade of experience in the plastic and polymers industry. The group has established a strong presence in this sector and enjoys a longstanding and positive relationship with its customers.

In FY2023 (Provisional), the group's revenue improved to Rs.188.34 Cr. compared to Rs. 160.97Cr. in FY2022. This revenue growth can be attributed to an increase in average realization and high demand for HDPE Pipe during that period. The group's operating margin increased to 10.39% in FY2023 (provisional), up from 8.74% in FY2022. The PAT margin also improved, reaching 4.84% for FY2023 (provisional), compared to 4.29% in FY2022.

Acuité believes that the business risk profile of the group will continue to benefit from the ongoing market demand of HDPE and PVC products and the group's well-established presence in the eastern region over the medium term.

- **Above average financial risk profile**

The financial risk profile of the group continues to remain above average marked by moderate network, low gearing and comfortable debt protection metrics. The tangible net worth of the group increased to Rs.51.78 Cr as on March 31, 2023(Provisional) from Rs.42.54 Cr as on March 31, 2022 due to accretion of reserves. Acuité has considered unsecured loans of Rs.2.11 Cr as on March 31, 2023(Provisional), as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. The gearing of the group stood low at 0.82 times as on March 31, 2023(Provisional) as against 0.60 times as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.00 times as on March 31, 2023(Provisional) as against 0.89 times as on March 31, 2022. The healthy debt protection metrics of the group is marked by Interest Coverage Ratio at 6.19 times as and Debt Service Coverage Ratio at 3.75(Provisional) times for FY 2023(Provisional). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.33 times as on March 31, 2023(Provisional).

Acuité believes that going forward the financial risk profile of the group will remain above average over the medium term with healthy profitability and no major debt funded capex plans.

Weaknesses

- **Working capital intensive nature of operations**

The operations of the group is working capital intensive marked by moderate high Gross Current Assets (GCA) of 107 days for FY2023(Provisional) as compared to 94 days same period last year. The GCA days is mainly on account of the high inventory days of the group which stood at 98 days in FY2023(Provisional) as against 68 days in FY2022. However, the collection period of the group stood comfortable at 12 days in FY2023(Provisional) as compared to 21 days in FY2022. Furthermore, the average bank limit utilisation of the group remains at ~87.30 percent during the last six months ended in April 2023.

Acuité believes that the working capital operations of the group will remain at same level as evident from efficient collection mechanism and moderate inventory levels over the medium term.

- **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 adequate liquidity marked by adequate net cash accruals of Rs.13.93 Cr. as on March 31, 2023 (Provisional) as against Rs.1.31 crore long term debt obligations over the same period. The cash and bank balance stood at Rs. 3.85 Cr for FY 2023(Provisional). Further, working capital management of the group is marked by moderate Gross Current Assets (GCA) 107 days in 31st March 2023(Provisional) as compared to 94 days in 31st March 2022. However, the bank limit of the group has been ~87.30 percent utilized during the last six months ended in April 2023. The current ratio of the group stood at 1.25 times in FY2023 (Provisional). Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of comfortable 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

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	188.34	160.97
PAT	Rs. Cr.	9.12	6.90
PAT Margin	(%)	4.84	4.29
Total Debt/Tangible Net Worth	Times	0.82	0.60
PBDIT/Interest	Times	6.19	7.57

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

Not Applicable

Any other information

Not Applicable

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Apr 2022	Term Loan	Long Term	1.23	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.63	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.49	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	7.65	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A3+ (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A3+ Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.30	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.31	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.39	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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