

Press Release

East Hooghly Agro Plantation Private Limited

24 December, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.14.00 crore of bank facilities of East Hooghly Agro Plantation Private Limited. The outlook is '**Stable**'.

East Hooghly Agro Plantation Pvt Ltd was incorporated in 2015 and started its commercial operation in 2017 by Mr. Krishna Chandra Mondal, Mr. Mainak Mondal, Ms. Anima Mondal, Ms. Jhumpa Mondal, Ms. Mousumi Pal and Ms. Munmun 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.

East Hooghly Polyplast Private Limited (rated ACUITE BBB-/Stable/A3) 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.

Analytical Approach:

Acuite has consolidated the business and financial risk profiles of East Hooghly Polyplast Private Limited and East Hooghly Agro Plantation Private Limited herein referred to as East Hooghly Group. The consolidation is in view of common management, similar line of business, significant operational linkages and significant financial linkages.

Key Rating Drivers:

Strengths

Experienced management

EHPPL, a Kolkata based company was incorporated in 2009 and promoted by Mr. Krishna Chandra Mondal, Mr. Mainak Mondal, Mr. Bimal Pal and Mr. Kamal Pal. Mr. Krishna Chandra Mondal has more than a decades of experience in plastic industry as he associated with EHPPL since inception. The long experience of the promoters have enabled them to establish comfortable relationships with their key suppliers and customers.

Healthy financial risk profile

The healthy financial risk profile of the group is marked by moderate net worth, comfortable gearing and strong debt protection metrics. The net worth of the group stands moderate at Rs.23.30 crore in FY2019 as compared to Rs.15.64 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. Acuite has considered Rs.2.86 crore unsecured loan as quasi equity as it is subordinated to the bank debt. The gearing of the group stands comfortable at 0.86 times as on March 31, 2019 when compared to 1.63 times as on March 31, 2018. The total debt of Rs.19.99 crore in FY2019 consists of long term loan of Rs.7.30 crore, short term loan from of Rs.12.66 crore and unsecured loan for promoters of Rs.0.02 crore. Interest coverage ratio (ICR) is comfortable and stands at 4.61 times in FY2019 as against 3.03 times in FY 2018. The debt service coverage ratio also stands comfortable at 2.07 times in FY2019 as against of 1.59 times in FY2018. The net cash accruals to total debt (NCA/TD) stands comfortable at 0.37 times in FY2019 as compared to 0.19 times in previous year. Acuite believes the financial risk profile of the group will remain comfortable backed by no major debt funded capex plan over the medium term.

Healthy profitability

The operating profitability margin of the group stood healthy at 14.90 per cent in FY2019 as compared to 11.95 per cent in previous year. The profitability margin has improved due to decrease in PP granules price. . The net profitability of the group also stands healthy at 5.37 per cent in F2019 as compared to 1.92 per cent in FY2018.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 143 days in FY2019 as compared to 141 days in FY2018. The inventory days are high at 124 days in FY2019 as compared to 120 days in FY2018. The group maintains high inventory at the year end preparing for their peak demand in the monsoon season. However, the debtor days have been comfortable at 21 days in FY'2019 vis a vis 19 days in the previous year. Acuite believes that the operations of the group would remain working capital intensive as the group would have to maintain high inventory before the monsoon to cater to the increased demand during this period.

Modest scale of operation

The scale of operations of the group stood at moderate levels with revenues of Rs.73.83 crore in FY2019 as compared to Rs.68.67 crore in FY2018. Acuite believes the ability of the company to scale up the operations will remain a key monitorable.

Rating Sensitivity

- Scaling up of operations.
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The group has adequate liquidity marked by modest net cash accruals of Rs.7.32 crore as against Rs.2.29 crore of yearly debt obligation. The cash accruals of the group are estimated to remain in the range of around Rs. 9.15 crore to Rs. 11.70 crore during 2020-22 against repayment obligations ranging from Rs. 2.29 crore. The working capital of the group is moderate marked by gross current asset days of 143 in FY2019. The bank limit is 80 per cent utilized by the group and the group maintains unencumbered cash and bank balances of Rs. 2.11 crore as on March 31, 2019. The current ratio of the group stood at 1.36 times as on March 31, 2019. Acuite believes that the liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuite 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. 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	73.83	68.67
PAT	Rs. Cr.	3.97	1.32
PAT Margin	(%)	5.37	1.92
Total Debt/Tangible Net Worth	Times	0.86	1.63
PBDIT/Interest	Times	4.61	3.03

About the Rated Entity - Key Financials (Standalone)

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	46.28	35.53
PAT	Rs. Cr.	0.89	(0.96)
PAT Margin	(%)	1.93	(2.69)
Total Debt/Tangible Net Worth	Times	1.57	3.54
PBDIT/Interest	Times	3.54	1.85

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-17.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-20.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/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.71	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB-/Stable (Assigned)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	0.54	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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