

Press Release

Eastern Polycraft Industries Limited

October 10, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	34.50	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	55.50	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	90.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.90.00 Cr bank facilities of Eastern Polycraft Industries Limited (EPIL). The outlook is '**Stable**'.

EPIL's rating reaffirmation considers the company's growth in the operating income in FY2022 coupled with the healthy order book position. The rating also takes into cognizance the experienced management, the company's long standing in the industry and the strong clientele base. These strengths are, however, offset by the average financial risk profile marked by high gearing, the working capital intensity of the company and the competitive industry.

About the Company

Incorporated in the year 1997, Eastern Polycraft Industries Limited (EPIL) is an ISO 9001:2015 certified company, engaged in the manufacture of plastic moulded container products through injection & blow moulding which are primarily used in the lubricants, edible oil, paint and fertilizer industry. The company's board of directors include Mr. K. C. Padia, Mr. Vijay Padia and Mr. Ajay Padia. EPIL has four units, two in West Bengal (Bhadreswar and Uluberia) and two in Rajasthan (Bhiwadi). EPIL's customers are spread across West Bengal, Rajasthan and Delhi NCR regions.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of EPIL to arrive at the rating.

Key Rating Drivers

Strengths

- Long experience of promoters and established business relationships

The promoters have long experience in running the business spanning over four decades. The company's board of directors include Mr. K. C. Padia, Mr. Vijay Padia and Mr. Ajay Padia. Further, EIPL has an established track record of over two decades in the same line of business and it is supported by a professional team in place to look after the day to day operations. Acuité believes the company's long track record, experienced management along with strong business relationships with reputed PSUs and private players like Indian Oil Corporation Limited (IOCL) and Bharat Petroleum Corporation Limited (BPCL), Haldia Petrochemicals Limited (HPCL), Reliance Industries Limited, NPL BlueSky Automotive Pvt Ltd, Asian Paints Ltd etc. will support the business, going forward.

- **Steady business risk profile reflected by growth in revenue and healthy order book position**

The company has registered 34% growth in the operating revenue in FY2022. The revenue improved to Rs.187.59 Cr in FY2022 as compared to revenues of Rs.140.09 Cr in FY2021. The upsurge in the operating income is on account of the continued flow of orders from the PSU giants along with the regular clientele and the timely execution of such. Further, the company has achieved revenues of Rs.112.00 Cr till August, 2022 (provisional). EIPL has an order book position to the tune of Rs.163.93 Cr to be executed in the next 12-18 months which provides moderate revenue visibility over the medium term. Acuité believes the continuous order pipeline from the reputed clientele will improve the scale of EIPL's operations, going forward.

Weaknesses

- **Average financial risk profile**

The company's average financial risk profile is marked by modest networth, high gearing and moderate debt protection metrics. The tangible net worth of the company improved to Rs.32.79 Cr as on 31st March, 2022 from Rs.31.27 Cr as on 31st March, 2021. Acuité has treated unsecured loans of Rs.1.44 Cr in FY2022 as quasi equity as the management has undertaken to maintain this amount in the business over the medium term. Gearing of the company stood high at 2.40 times as on 31st March, 2022 as compared to 2.16 times as on 31st March, 2021, whereas, Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 3.77 times as on 31st March, 2022 as compared to 3.88 times as on 31st March, 2021. However, the modest debt protection metrics of the company is marked by Interest Coverage Ratio at 1.88 times and Debt Service coverage ratio at 1.18 times as on 31st March, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.09 times as on 31st March, 2022. Acuité believes that going forward the financial risk profile of the company will improve backed by improving accruals and no major debt funded capex plans.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Asset (GCA) days of 206 days in FY2022 as compared to 250 days in FY2021. The high GCA days are on account of high inventory period which stood at 97 days as on 31st March, 2022 as compared to 137 days as on 31st March, 2021. High inventory holding is in order to cater to the immediate monthly demand from customers like Asian Paints in all the four units and to mitigate raw material price volatility. Further, the debtor period stood at 66 days as on March 31, 2022 as compared to 82 days as on March 31, 2021 due to delayed realisation from the PSU clients. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from the high inventory levels and the moderate collection mechanism.

Rating Sensitivities

- Growth in the scale of operations
- Elongation in working capital cycle

Material covenants

None

Liquidity position: Adequate

The company's liquidity position is adequate marked by sufficient cash & bank balances, moderate current ratio and improving net cash accruals. The unencumbered cash and bank balances of the company stood at Rs.8.08 Cr in FY2022. The current ratio stood moderate at 1.25 times as on 31st March, 2022 as compared to 1.21 times as on 31st March, 2021. However, the company's operations are working capital intensive as reflected by high Gross Current Assets (GCA) days of 206 days in FY2022 as compared to 250 days in FY2021. The fund based bank limit utilisation stood at 82 per cent over the six months ended July, 2022. Acuité believes that going forward the liquidity position of the company will remain around the similar levels on account of gradually improving accruals.

Outlook: Stable

Acuité believes that the outlook on EPIL will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations and the improving scale of operations. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its capital structure and working capital management while increasing its scale of operations. Conversely, the outlook may be revised to 'Negative' in case of any significant elongation in its working capital management leading to deterioration of its gearing and liquidity position.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	187.59	140.09
PAT	Rs. Cr.	2.22	1.39
PAT Margin	(%)	1.18	0.99
Total Debt/Tangible Net Worth	Times	2.40	2.16
PBDIT/Interest	Times	1.88	1.54

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

BRICKWORK, vide its press release dated September 13, 2022 had denoted the rating of Eastern Polycraft Industries Limited as 'BWR BB/Stable/A4; ISSUER NOT COOPERATING.

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
21 Jul 2021	Letter of Credit	Short Term	21.00	ACUITE A3 (Assigned)
	Working Capital Term Loan	Long Term	3.58	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	5.52	ACUITE A3 (Assigned)
	Term Loan	Long Term	4.06	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	21.00	ACUITE A3 (Assigned)
	Working Capital Term Loan	Long Term	4.46	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	13.25	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	3.88	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	13.25	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3 Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	37.00	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	9.33	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	28.50	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.28	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	9.25	Not available	8.89	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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