



Press Release
EASTERN POLYCRYST INDUSTRIES LIMITED
December 22, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	57.50	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	32.50	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	90.00	-	-

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 remains '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation considers the steady scale of operations in FY2023 coupled with comfortable margins. The rating also factors in the experienced management and the reputed clientele base of the company. These strengths are, however, offset by the moderate financial risk profile of EPIL, the working capital intensive nature of operations and the competitive industry it operates in.

About the Company

Incorporated in 1997, Eastern Polycraft Industries Limited (EPIL) is engaged in the manufacturing of plastic moulded container products through injection & blow moulding which are primarily used in the lubricants, edible oil, paint and fertilizer industry. The company is managed by 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).

Unsupported Rating

Not Applicable

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

Experienced management

EPIL is managed by Mr. K. C. Padia, Mr. Vijay Padia and Mr. Ajay Padia, having an experience of more than four decades in the industry. The company has a long track record of operations of over two decades and has established healthy relationships with the reputed PSUs and private players, Indian Oil Corporation Limited (IOCL) and Bharat Petroleum Corporation Limited (BPCL), Haldia Petrochemicals Limited (HPCL), Asian Paints Ltd to name a few.

Acuité believes the healthy clientele relationships and the experienced management will continue to benefit the company going forward.

Increase in the operating income

The scale of operations of the company increased to Rs.216.39 Cr in FY2023 from Rs.187.59 Cr in FY2022 on account of operational efficiencies owing to enhancing the installed capacity in the Unit-IV in Rajasthan to 3000 MTPA from 1950 MTPA. The revenue levels are further supported by the regular order flow from the PSU along with the regular clientele and the timely execution of the same. The company has achieved revenues of Rs.130 Cr till November, 2023. Further, EPIL has an order book position to the tune of Rs.191.32 Cr which will be executed in the next 12-18 months which provides moderate revenue visibility over the medium term.

The company is adding a new plant at Kharagpur, West Bengal which is expected to further augment the scale of operations.

However, the operating margin dipped to 7.78 per cent in FY2023 from 8.97 per cent in FY2022. The decline is on account of rise in the operating expenses, mainly loading charges, vehicle running expenses, freight inward and labour charges. The PAT margin, however, stood at 1.38 per cent in FY2023 as against 1.18 per cent in FY2022 due to reduction in the interest cost.

Acuité believes that, going forward, the scale of operations will further improve over the medium term owing to the ongoing capex plans.

Weaknesses

Moderate financial risk profile

The company's financial risk profile is marked by moderate capital structure and debt protection metrics. The tangible net worth of the company increased to Rs.34.33 Cr as on 31st March, 2023 from Rs.31.35 Cr as on 31st March, 2022. Gearing of the company improved to 1.65 times as on 31st March, 2023 from 2.56 times as on 31st March, 2022 due to reduction in the debt burden. However, it is expected to weaken slightly on the back of debt funded capex plans. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.07 times as on 31st March, 2023 as compared to 3.99 times as on 31st March, 2022. However, the debt protection metrics of the company is moderate as marked by Interest Coverage Ratio at 2.16 times and Debt Service coverage ratio at 1.18 times as on 31st March, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.14 times as on 31st March, 2023.

Acuité believes that the gearing of the company will witness further moderations due to the ongoing capex plan.

Exposure to competitive space

EPIL operates in a competitive and fragmented industry with several players engaged in the moulded plastic products industry in organized and unorganized sector. Thus, the company faces pricing pressure from other competitors which limits its bargaining power.

Rating Sensitivities

- Growth in the scale of operations while improving profitability margins
- Improvement in the capital structure
- Elongation in working capital cycle

All Covenants

None

Liquidity Position

Adequate

The company's adequate liquidity position is marked by net cash accruals Rs.7.95 Cr in FY2023 as against long term debt repayment of Rs.5.56 Cr over the same period. The current ratio stood moderate at 1.07 times as on 31st March, 2023. The cash and bank balances stood at Rs.0.17 Cr in FY2023. However, the working capital intensive nature of operations of the company is marked by moderate Gross Current Asset (GCA) days of 147 days in FY2023 as compared to 206 days in FY2022. The fund based limit remained utilised at 85 per cent over

the seven months ended August, 2023.

Acuité believes that going forward the liquidity position of the company will remain adequate over the medium term due to the steady 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 steady scale of operations while improving profitability margins and improvement in capital structure and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration of margins or significant elongation in its working capital management leading to weakening of its financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	216.39	187.59
PAT	Rs. Cr.	2.99	2.22
PAT Margin	(%)	1.38	1.18
Total Debt/Tangible Net Worth	Times	1.65	2.56
PBDIT/Interest	Times	2.16	1.88

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
10 Oct 2022	Covid Emergency Line	Long Term	9.33	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.28	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	8.89	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	28.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	37.00	ACUITE BBB- Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A3 Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	37.00	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.50	ACUITE A3 Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.50	ACUITE BBB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Geeta Karira Analyst-Rating Operations Tel: 022-49294065 geeta.karira@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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