

Press Release
ECO ORGANICS
April 30, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	48.52	ACUITE BB Stable Assigned	-
Bank Loan Ratings	11.50	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	60.02	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short-term of '**Acuite A4+**' (read as **ACUITE A four plus**) on the Rs. 60.02 crore bank facilities of Eco Organics (EO). The outlook is '**Stable**'.

Rationale for the Rating Assigned

The rating assigned reflects the extensive experience of the management along with established track record of operations for nearly 20 years in the manufacturing of essential oils. The rating factors in the geographic and product diversification along with moderate financial risk profile. However, the above mentioned strengths are partly offset by working capital intensive nature of operations and stretched liquidity.

About the Company

Established in 2003, Eco Organics (EO) a partnership firm based Rampur, Uttar Pradesh, engaged in manufacturing and sale of essential oils, menthol & allied products, organic and inorganic chemicals & flavours. The products are mainly used in oral care products, chewing gum, cosmetics, pharma etc. The firm is an ISO certified and undertakes to produce 100% natural products free from adulterants. Mr. Vipin Kum, Mr. Rupam Gupta and Mr. Vyom Varhsney are the Partner of the Firm.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Eco Organics to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Management

Established in 2003, Eco Organics (EO) a partnership firm based Rampur, Uttar Pradesh, engaged in manufacturing and sale of essential oils, menthol & allied products, organic and inorganic chemicals & flavours. The products are mainly used in oral care products, chewing gum, cosmetics, pharma etc. Mr. Vipin Kum, Mr. Rupam Gupta and Mr. Vyom Varhsney are the Partner of the firm. The partners of the firm are well qualified and have more than 2 decades of industry experience. Their experience and knowledge of the industry

has helped them in maintaining long term relationships with their clients.

Acuite believes that EO will continue to benefit from its experienced management and established relationships with customers.

Augmentation in business risk profile

EO reported revenues of Rs. 148.36 Cr. in FY2023 against Rs 148.90 Cr. in FY2022. In 11MFY24, the firm reported operating income of Rs.191 crore and is expected to close the year with revenues of Rs. 200 Cr. The profitability of the firm has improved with EBDITA margin of 3.58 % in FY23 as compared against 2.69 % in FY22. The PAT margins of the firm stood at 1.22 % in FY2023 as against 0.76 % in FY2022.

Weaknesses

Moderate financial Risk Profile

The financial Risk profile of the firm remains moderate marked by networth of Rs. 16.14 Cr. in FY2023 against Rs.14.54 Cr. in FY2022. The total debt of the firm stood at Rs.41.79 Cr. in FY2023 increased from Rs.37.67 Cr. in FY2022. With the moderation in the profitability, the firm's credit metrics moderated as reflected by interest coverage ratio of the firm stood at 1.58 times in FY2023 against 1.50 times in FY2022, Debt service coverage ratio stood at 1.58 times in FY2023 against 1.50 times in FY2022. The firm's gearing remained unchanged at 2.59 times for both years FY23 and FY22. Further, the TOL/TNW slightly deteriorated to 2.69 times as on March 31, 2023, as against 2.67 times as on March 31, 2022.

Acuite' believes that financial risk profile of EO may continue to remain moderate with no major debt-funded capex plan in near term

Working Capital Intensive Operations

The working capital operations of the firm are intensive marked by GCA days at 134 days in FY2023 against 123 days in FY2022. However, the inventory days of the firm stood at 106 days in FY2023 against 102 days in FY2022 mainly on account of an order delayed in March 2023 resulting in higher inventory. Further, the debtor days of the firm stood at 28 days in FY2023 against 21 days in FY2022. On the other hand, the creditor days of the firm stood at 4 days in FY2023 against 3 days in FY2022.

Acuite' believes that working capital operations of firm may continue to remain intensive considering the nature of business.

Rating Sensitivities

- Substantial improvement in revenue and profitability while maintaining its credit profile.
- Any further elongation in working capital cycle impacting its liquidity

Liquidity Position Stretched

The liquidity position of the company is stretched due to high reliance on the short-term financing with an average utilization of around 97 percent. Further the working capital management of the company is intensive marked by GCA days of 134 days in FY2023 as against 123 days in FY2022. However, the company has generated sufficient net cash accruals against the maturing debt obligations. The company has generated net cash accruals in of Rs 1.98 crore in FY2023 against its maturing repayment obligations of Rs. 0.85 crore in the same tenure. Further, the company is expected to generate sufficient cash accruals to repay its debt obligation in near to medium term. The current ratio stands at 1.41 times as on March 31, 2023, as against 4.38 times as on March 31, 2022.

Outlook: Stable

Acuite believes the outlook on EO will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management. The outlook may be revised to 'Positive' if the company is able to successfully acquire higher orders which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by EO leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	148.36	149.90
PAT	Rs. Cr.	1.81	1.15
PAT Margin	(%)	1.22	0.76
Total Debt/Tangible Net Worth	Times	2.59	2.59
PBDIT/Interest	Times	1.58	1.50

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-52.htm>
- Entities In Manufacturing Sector:- <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 :

Not Applicable

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.50	ACUITE A4+ Assigned
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	04 Aug 2023	Not avl. / Not appl.	19 Aug 2026	Simple	3.52	ACUITE BB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Anush Shetty Associate-Rating Operations Tel: 022-49294065 anush.shetty@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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.