



Press Release
EXPANDED POLYMER SYSTEMS PRIVATE LIMITED
October 31, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	79.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	102.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	181.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its 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. 181.00 crore bank facilities of Expanded Polymer Systems Private Limited (EPSPL). The outlook is '**Stable**'.

Rationale for rating

The rating factors in the established track record of operations for the company along with extensive experience of the management in the polyurethanes industry. The promoter of the company Mr. Mukesh Bhuta is having an experience of more than 40 years in this industry. The rating also factors in the moderate financial risk profile of the company marked with the moderate net worth of Rs.80.79 crore and adjusted gearing of 0.67 times as on March 31, 2024. However, these strengths are partly offset by the modest revenue growth, thin profitability margins and industry wide import related risks.

About the Company

Expanded Polymer Systems Private Limited was incorporated on 2007 in Mumbai as a Private Limited Company. The company is engaged in the business of manufacturing polyurethane chemicals and trading of chemicals. Directors of the company are Mrs. Medha Mukesh Bhuta, Mr. Mikhail Mukesh Bhuta, Mr. Chandulal Kalidas Shah, Mr. Mukesh Shantilal Bhuta, Mr. Rajen Mahesh Mehta and Mr. Sandeep Sudhakar Deshpande.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Expanded Polymer Systems Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record along with experienced management

Established in 2007, Expanded Polymer Systems Private Limited is into manufacturing of Polyols which is used as a feedstock to produce polymers (polyester and polyether). The company currently has two manufacturing facilities each in Navi Mumbai and Dahej, having a total installed capacity of 47000 MTPA. The company also manufactures blended polyols used in variety of industries. The company is currently managed by Mr. Mukesh Bhuta who is having an experience of more than 40 years in Polyurethanes industry. The experience of the management is also reflected in the moderate scale of operations as marked by the company. The company had marked a revenue of Rs.668.96 crores in FY24 as against Rs. 649.79 crores in FY23 and Rs.607.03 crores in FY22. The revenue growth over the last two years is muted primarily due to lower price realisation. Acuite believes with expected commencement of commercial operations of ongoing capex from next year onwards, scale

of operations are expected to improve over the medium term.

Healthy Financial Risk Profile

The financial risk profile of the company remained moderate marked by a moderate net worth, low gearing, and moderate debt protection metrics. The net worth of the company stood moderate at Rs. 80.79 Cr. as on March 31, 2024, as against Rs. 71.64 Cr. as on March 31, 2023. The increase in net worth is primarily due to the accretion of profits to reserves. The gearing of the company stood at 0.9 times as on March 31, 2024, as against 0.86 times as on March 31, 2023. Further, the adjusted debt – equity stood at 0.67 times as on 31st March 2024. The TOL/TNW stood at 2.58 times as on March 31, 2024, as against 3.01 times as on March 31, 2023. The debt protection metrics stood moderate with DSCR and Interest coverage ratio at 1.76 times and 2.64 times respectively as on 31st March 2024.

The company is currently undertaking a capex plan to enhance its production capacity of moulded polyether and other products. The moulded polyether plant is constructed at a total cost of Rs. 16 Cr. which is funded by debt of Rs. 12 Cr. and balance by internal accruals. The construction of this plant is completed in H1FY2025 and has commenced commercial production. The other ongoing capex to increase its production capacity of other existing products is estimated at a total cost of Rs. 13.50 Cr. which is to be funded by debt of Rs. 9.85 Cr. and balance by internal accruals. This project is estimated to commence commercial operations from next year onwards.

Acuite expects the financial risk profile of the company to remain moderate driven by expected improvement in cash accruals going ahead.

Moderate Working capital operations

The working capital operations of the company remains moderate marked by GCA days of 102 days in FY 2024 as against 108 days in FY 2023. The GCA days are majorly comprised of moderate inventory and debtor along with other current assets consisting of statutory deposit and advances received. The debtor days stood at 56 days in FY 2024 as against 52 days in FY 2023. The inventory for the company stood at 38 days in FY 2024 as against 50 days in FY 2023. However, the creditors days stood at 74 days in FY 2024 as against 85 days in FY 2023

Weaknesses

Lower operating margins

The profitability margins of EPSPL are inherently thin due to competition risks. The EBITDA margins of the company stood at 4.48 percent in FY24 as against 4.19 percent compared to previous year. The PAT margins stood at 1.59 percent in FY24 as against 1.44 percent in FY23. The products manufactured by EPSPL are import substitutes, the company prices its finished products based on the respective landed costs of imports, which limits the control over end-product pricing for the company.

Industry dominated by cheaper imports

The polyol industry in India is highly dominated by import from China and other various countries. The current installed capacity is also on lower side for the industry requirement as compared to demand which leads to higher imports for the industry. Timely support from the Government in the form of anti dumping duty etc can help mitigate the risk to some extent for the company.

Rating Sensitivities

- Timely completion of the capex.
- Any improvement in the operating margins for the company.

Liquidity Position

Adequate

The company generated net cash accruals of Rs.17.04 crore in FY24 as against the repayment obligations of Rs.4.23 crore of in the same year. Further it is expected that company will generate net cash accruals in range of Rs.16 to Rs.26 crore against the repayment obligations of close to Rs.10 crore during the same tenure. The company had Cash and Bank balance of Rs. 2.42 Crore as on March 31, 2024. The current ratio of the company stood at 1.10 times in FY 2023-24. Further, the average bank limit utilization for last 12 months stood at 53.4 percent.

Acuite expects that the liquidity of the company to remain adequate on account sufficient cash accruals as against the repayment obligations.

Outlook : Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	668.96	649.79
PAT	Rs. Cr.	10.65	9.33
PAT Margin	(%)	1.59	1.44
Total Debt/Tangible Net Worth	Times	0.90	0.86
PBDIT/Interest	Times	2.64	2.68

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

Brickwork, vide its press release dated February 22nd, 2024 had denoted the rating of Expanded Polymer Systems Private Limited as BWR B+/ Stable/ A4 'Downgraded, Reaffirmed and Issuer not co-operating'.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE A3+ Assigned
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Assigned
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A3+ Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	45.00	Simple	ACUITE A3+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.81	Simple	ACUITE BBB Stable Assigned
Bank of India	Not avl. / Not appl.	Term Loan	30 Sep 2023	Not avl. / Not appl.	31 Aug 2027	1.25	Simple	ACUITE BBB Stable Assigned
Bank of India	Not avl. / Not appl.	Term Loan	28 Feb 2018	Not avl. / Not appl.	28 Feb 2025	0.52	Simple	ACUITE BBB Stable Assigned
Bank of India	Not avl. / Not appl.	Term Loan	31 Dec 2021	Not avl. / Not appl.	31 Jul 2028	5.56	Simple	ACUITE BBB Stable Assigned
Bank of India	Not avl. / Not appl.	Term Loan	30 Nov 2021	Not avl. / Not appl.	31 Jul 2026	3.01	Simple	ACUITE BBB Stable Assigned
Bank of India	Not avl. / Not appl.	Term Loan	31 Dec 2023	Not avl. / Not appl.	30 Nov 2029	9.85	Simple	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	30 Sep 2023	Not avl. / Not appl.	31 Aug 2028	12.00	Simple	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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