

E-Pack Polymers Private Limited

Instrument	Amount	Rating Action
	In Rs. crore	As on December 2016
Fund Based Limits	37.50	[ICRA]BBB (Stable); Assigned
Non-fund based Limits	16.50	[ICRA]A3+; Assigned

ICRA has assigned its long-term rating of **[ICRA]BBB** (pronounced ICRA triple B) to the Rs. 37.50 crore¹ fund based facilities of E-Pack Polymers Private Limited (EPPL)². ICRA has also assigned its **[ICRA]A3+** (pronounced ICRA A three plus) rating to the Rs. 16.50 crore non fund based facilities of the company.

For arriving at the ratings, ICRA has combined the business and financial risk profiles of E-Vision, E-Durables and EPPL. This is because all the three entities have common promoters and share operational synergies.

ICRA's ratings factor in the extensive experience of EPPL's promoters in expanded polystyrene (EPS) packaging and Prefabricated structures. EPPL is a major supplier of EPS thermocol to LG Electronics India Private Limited, and the company's clientele in Prefab division includes clients like Larsen & Toubro, Tata Steel Ltd, Reliance Industries Ltd etc. The repeat orders from its key clients ensure healthy capacity utilization in its EPS division. The ratings also take into account the company's strong financial risk profile with healthy cash accruals, moderate gearing levels and healthy coverage indicators. ICRA also notes that company has been able to maintain a healthy revenue mix between the Prefab and EPS divisions, over the years.

The ratings are, however, constrained by the intensely competitive nature of the packaging industry owing to low entry barriers and the commoditized nature of the products, which restrict the pricing power of the manufacturers. The ratings also factor in the susceptibility of the company's profitability to fluctuations in raw material prices in both the Prefab and EPs divisions. Further, given that ~40% of EPPL's total sales in FY16 were to LG Electronics, it exposes the company to high customer concentration risk, although the risk is mitigated to large extent by the low counter-party credit risk.

The ability of the company to maintain its revenue growth and margins, while maintaining a strong capital structure, along with efficient working capital management will be the key rating sensitivities.

Company Profile

E-Pack Polymers Private Limited (EPPL) is a Noida based company incorporated by the Bothra and Singhania Families in 1999. EPPL is an ISO 9001:2000 and ISO 14000 registered company and is mainly engaged in manufacturing Expanded Polystyrene (EPS) thermocol products and Prefabricated Structures. It is the biggest supplier of moulded thermocol which is used as a packaging material for consumer durable products, to LG Electronics India Private Limited. Apart from this it also supplies EPS based block thermocol to 300 dealers in different states like Delhi, Haryana, Punjab, Uttar Pradesh, Uttarakhand, Rajasthan, Himachal Pradesh and Jammu & Kashmir, from its manufacturing unit located in Noida, Uttar Pradesh.

Under its Prefab division the company undertakes turnkey projects for Pre-fabricated buildings, Solar Control Rooms, Cold storage rooms, Pre-fabricated Schools, cottages and other customized structures.

Group Profile

E-Durables is a partnership firm which was incorporated in 2003. It is engaged in assembling home appliances for leading consumer durables companies and also manufactures sheet metal components, induction cook tops, water dispensers and copper tubing. The firm currently has two manufacturing facilities at Dehradun (Uttarakhand).

E-Vision is a partnership firm, which was incorporated in 2010. It is engaged in manufacturing of air conditioners, plastic moulding and heat exchangers. Its manufacturing facilities are located in Dehradun.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

Recent Results

EPPL reported a profit after tax (PAT) of Rs. 4.19 crore on an operating income of Rs. 151.94 crore in FY2016, as against a PAT of Rs. 3.67 crore on an operating income of Rs. 156.59 crore in the previous year.

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