E - Vision

March 29, 2019

Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Limits	90.00	[ICRA]BBB+(Stable); Assigned
Non-fund Based Limits	25.00	[ICRA]A2; Assigned
Total	**115.00**	

**Instrument details are provided in Annexure-1*

Rationale:

For arriving at the ratings, ICRA has combined the business and financial risk profiles of E-Pack Polymers Private Limited (EPPL), E-Vision (EV) and E-Durables (ED), also referred to as 'Group'. This is because all the three entities have common promoters and share operational synergies.

The assigned ratings factors in expected growth in the topline in FY 2019 primarily driven by healthy sale growth in Prefab Division of EPPL coupled with healthy cash accruals generation. This was also accompanied by Group's focus on diversifying its revenue segments and customer base in the last few years. ICRA also notes that from current fiscal the Group has started manufacturing Indoor units for Air conditioners which will augur well for its revenues and profitability. The rating also factor in the extensive experience of the promoters in expanded polystyrene (EPS) packaging, pre-fabricated structures and assembling of white goods. The Group has a reputed client base and is one of the major suppliers to different clients such as LG Electronics India Private Limited, Voltas Ltd., Haier Appliances, Philips India, Godrej, Akai Industries Ltd. etc. ICRA also notes that the Group has undertaken backward-integration initiatives like manufacturing of thermocol moulds, heat exchangers, copper tubing, sheet metals and plastic mouldings, which have resulted in some cost advantages.

The ratings, however, are 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 manufacturers. Further, in the air conditioner assembling segment, the profitability has been relatively low on account of moderate complexity of the assembling work by the Group. The ratings also factor in the susceptibility of the Group's profitability to fluctuations in raw material prices in both the Prefabricated (Prefab) and EPS divisions. Further, given that sales are linked to demand and cyclicality of end-user industries, i.e. consumer durable industry, any slowdown in demand may adversely impact revenue growth and profitability. ICRA also takes note of the partnership constitution of EV and ED, which exposes it to risks of withdrawal of capital, risk of dissolution etc. ICRA also takes note of the low cushion in fund based limits as well as the moderate debt protection metrics of the Group.

The ability of the Group to maintain its revenue growth and margins as well as maintain a strong capital structure and efficient working capital management will be the key rating sensitivities.

Outlook: Stable

ICRA believes the Group will continue to benefit from its established position in the white goods industry and healthy relationship with the customers. The outlook may be revised to 'Positive' if there is substantial growth in revenue and profitability while sustenance of financial risk profile. Conversely, the outlook may be revised to 'Negative' if lower-than-expected cash accrual, sizeable capital expenditure/acquisition or stretched working capital cycle weakens financial risk profile.

Key rating drivers:

Credit strengths

Experience of promoters in EPS and air conditioner assembling - The promoters and their families have been involved in manufacturing EPS and electronic-appliance assembling for more than a decade and have gained a thorough knowledge of the market. The major customers of the Group have also been dealing with it over the past several years.

Long relationships with reputed clientele - The Group has reputed clients, including LG Electronics India Private Limited, Voltas Ltd., Haier Appliances, Philips India, Godrej, Akai Industries Ltd., Airport Authorities of India (AAI) etc. Although the Group's revenue mainly comes from LG and Voltas, its dependence on these has reduced significantly over the years.

Diversified revenue streams among EPS, Pre-fabricated structures, electronic-appliance assembling segments – The revenues are diversified into EPS, Pre-fabricated structures, electronic-appliance assembling segments. The electronic-appliance assembling segment contributed ~73% of revenues of the Group, followed by 15% by EPS and 12% by Prefab division. These factors have also resulted in a diversified revenue stream for the Group.

High operational efficiency - Integrated operations with in-house manufacturing of components (moulds for EPS, heat exchangers, sheet metal components, copper tubing etc. enhances operating efficiency. This is reflected in modest operating margin of 7-8% in the past.

Credit challenges

Higher outside liabilities result in high TOL/TNW - The gearing of the Group remained high in FY2018 and stood at 1.28 times in FY2018. The net worth has increased to ~Rs. 122 crore and total debt stood at ~Rs. 156 crore. Further, TOL/TNW stood at 2.79 times as on March 31, 2018.

Risk in partnership constitution - The Group entities EV and ED have a partnership constitution, which exposes these to risks of capital withdrawal, dissolution etc.

Risk of technological obsolescence necessitates continuous upgrade of processes and products to sustain competitive advantage - The electronic products industry is characterised by continues product and process innovation and rapid adoption of new technology. Given the risk of technological obsolescence, the industry players are required to undertake continuous upgrades to sustain competitive advantage.

High working capital requirements – The operations of the Group are working capital intensive in nature which is reflected by high working capital limit utilisation in the last one year. Further, the debt protection metrics also remain moderate for the Group.

Liquidity position

Liquidity profile of the Group remains modest represented by current ratio of 1.04x as on March 31, 2018. The free cash and bank balance as on March 31, 2018 stood at Rs. 2.69 crores and further the working capital utilization has remained high during the last 12 months period ended January 2019.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodology as indicated below.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation	For arriving at the ratings, ICRA has combined the business and financial risk profiles of E-Pack Polymers Private Limited (EPPL), E-Vision (EV) and E-Durables (ED). This is because all the three entities have common promoters and share operational synergies.

About the company:

EV is a partnership firm incorporated in 2010. It is involved in manufacturing air conditioners, plastic moulding and heat exchangers. Its manufacturing facilities are located in Dehradun.

Group profile:

ED is a partnership firm incorporated in 2003. It is involved 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 at present has two manufacturing facilities at Dehradun (Uttrakhand).

EPPL is a Noida-based company incorporated by the Bothra and Singhania families in 1999. It is an ISO 9001:2000 and ISO 14000 registered company and is mainly involved in manufacturing expanded polystyrene (EPS) thermocol products and pre-fabricated structures. The company is the biggest supplier of moulded thermocol (used as a packaging material for consumer durable products), to LG Electronics India Private Limited. Apart from this, it 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 in Greater 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 customised structures.

EV reported a net profit of Rs. 7.65 crore on an OI of Rs. 514.36 crore in FY2018 compared with a net profit of Rs. 11.11 crore on an OI of Rs. 620.67 crore in the previous year.

Key financial indicators (Audited)*

	FY2017	FY2018
Operating Income (Rs. crore)	732.33	674.72
PAT (Rs. crore)	21.14	14.39
OPBDIT/OI (%)	7.75%	7.64%
RoCE (%)	20.55%	16.36%
Total Debt/TNW (times)	1.27	1.28
Total Debt/OPBDIT (times)	2.55	3.03
Interest Coverage (times)	2.69	2.27

**Consolidated for EPPL, ED, EV*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating March 2019	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1	Cash Credit	Long Term	44.00	-	**[ICRA]BBB+(Stable)**	-	-	-
2	Term Loans	Long Term	46.00	46.00	**[ICRA]BBB+(Stable)**	-	-	-
3	Non fund based limits	Short Term	25.00	-	**[ICRA]A2**	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	44.00	[ICRA]BBB+(Stable)
NA	Term Loans	April 2015	NA	Mar 2022	46.00	[ICRA]BBB+(Stable)
NA	Non fund based limits	NA	NA	NA	25.00	[ICRA]A2

Source: EV

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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