

January 30, 2023

## Weener Empire Plastics Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term - Unallocated	15.00	15.00	[ICRA]A- (Stable)/[ICRA]A2+; Reaffirmed
<b>Total</b>	<b>15.00</b>	<b>15.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings continue to positively factor in Weener Empire Plastics Private Limited's (WEPL) favourable financial profile, characterised by its comfortable capital structure and healthy debt protection metrics. The ratings derive comfort from the company's diverse clientele across various industry segments such as personal care, cosmetics, pharmaceutical and confectionary industries, which limits the sector concentration risk. Moreover, its renowned clientele comprises multinational corporations, which mitigates the counterparty risk. The ratings continue to consider WEPL's established operational track record in the plastic bottle and cap manufacturing spanning over a decade and its affiliation to Weener Plastic Packaging Group (WPPG) of the Netherlands, one of the reputed global players in the packaging industry, which renders technological and operational assistance to WEPL.

The ratings, however, remain constrained by WEPL's moderate scale of operations and the susceptibility of its profitability to the price fluctuations of its key raw materials, which are linked to crude oil prices. The company's operating profitability moderated to nearly 13.1% in FY2022, from 19.9% in FY2021, owing to a sharp uptick in key raw material prices. Nonetheless, given the correction in raw material prices in the current fiscal and the availability of periodic price revision for its products, its operating margin is likely to improve in the near term. Besides, the high level of fragmentation in the downstream polymer processing segment results in intense competition and limited pricing flexibility, exerting pressure on the company's profitability. Its scale of operations remained modest, over the past five fiscals through FY2022, owing to focus on margin-accretive customers. The ratings continue to consider the capital-intensive business, which necessitates regular investments in the existing and new infrastructure. The lack of commensurate returns from regular capital investments is likely to impact the company's return indicators. ICRA notes that WEPL's plans to pay royalty of 2-3% on its revenues to its parent entity, in the place of dividends. Any significant royalty or dividend outflow or other forms of support to its parent or any Group entity under WPPG, which materially impacts WEPL's liquidity profile, will remain a key rating monitorable.

The Stable outlook on the long-term rating reflects ICRA's expectation that WEPL's credit risk profile will be supported by its established position in the plastic packaging industry, its professional management setup, and its healthy financial risk profile.

### Key rating drivers and their description

#### Credit strengths

**Comfortable financial profile** – WEPL's financial profile remains favourable, characterised by a comfortable capital structure and healthy debt protection metrics. Its capital structure, as indicated by total debt/tangible net worth, stood at 0.04 times as on March 31, 2022, its capital structure is supported by a considerable net worth position (Rs. 138.4 crore as on March 31, 2022), coupled with relatively low reliance on borrowings. In the past, the company had undertaken various process improvement measures such as wastage reduction and improved manufacturing efficiency, which have supported its operating profitability. However, due to sharp volatility in raw-material prices, the operating profitability was impacted in FY2022.

Nevertheless, due to healthy capital structure, its credit metrics remains comfortable. The company's interest coverage, DSCR and total debt/OPBIDTA stood at 96.4 times, 92.5 times and 0.2 times, respectively, in FY2022.

**Reputed customer profile across diverse industry segments** – WEPL mainly caters to the domestic market and has established relationship with clients comprising reputed large corporates and multinational entities, which mitigates the counterparty risk to an extent. Besides, the company has presence across diverse industry segments such as food and beverage, pharmaceuticals, and personal care, and hence the sector-specific risk is low.

**Extensive experience of promoters; technological and operational support from the parent** – WEPL's promoters have an extensive experience in manufacturing plastic bottles and caps. Further, the company has a professionally qualified management, with proven experience in the plastic packaging industry. In addition, the operations are overseen by its parent entity based in the Netherlands, which has deployed representatives in India for managing its day-to-day operations. WEPL is a 99.9% subsidiary of Weener Plastik GmbH, which is a step-down subsidiary of WPPG, a full-service global supplier of innovative plastic packaging solutions, with a strong focus on functionalities, dispensing, containing, and closing. WEPL receives support from WPPG in terms of technical and operational assistance to keep the facilities in tandem with the latest technology.

### Credit challenges

**Moderate scale of operations** – WEPL's scale of operations remain moderate and were rangebound between Rs. 220 crore and Rs. 245 crore over the past five fiscals through FY2022. Its business operations are also capital intensive and entails regular sizeable investments in capital expenditure towards upgrading and maintaining its manufacturing infrastructure. Any lack of commensurate returns from its regular capital investments is likely to exert pressure on its return indicators.

**Susceptibility of profit margins to raw material price fluctuations** – The company's profit margins remain exposed to the adverse movements in raw material prices, which has displayed volatilities in the past, being crude oil derivatives. Its operating margin moderated to 13.1% in FY2022, from 19.9% in FY2021, owing to sharp hikes in key raw material prices. Nonetheless, WEPL's margins are likely to improve and revert to previous levels in the near term, given the correction in raw material prices, coupled with periodic price revisions.

**Intense competition due to highly fragmented nature of industry** – The plastic bottle and cap manufacturing industry witnesses stiff competition from numerous small unorganised players, organised players as well as overseas players. However, WEPL's preferred supplier status, among its key customers, provide competitive advantage.

### Liquidity position: Adequate

The company's liquidity position is anticipated to remain adequate, supported by its cash flow from operations, which are anticipated between Rs. 24.0 crore and Rs. 27.0 crore/annum in the near term. The position is enhanced by the absence of any major repayment obligations. Besides, it has sizeable free cash and bank balances of Rs. 23.8 crore as on March 31, 2022. In absence of any major capex plans and dividend payouts, the overall liquidity position is likely to remain comfortable.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if the company achieves a significant and sustained growth in its operating income and profit margins, leading to a sustained improvement in the return indicators, along with attaining business diversification and sustaining its capital structure at conservative levels.

**Negative factors** – Negative pressure on the rating could arise if WEPL reports a steep decline in revenues or a reduction in its profitability on a sustained basis. Moreover, any weakening of the overall financial profile in case of any sizeable debt-

funded capital expenditure and lack of commensurate returns would be credit negatives. Any material financial support extended to the parent company that weakens WEPL's liquidity position will also be a negative rating trigger.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

Weener Empire Plastics Private Limited was set up in July 1995 as Empire Plastics Ltd (EPL). It was subsequently renamed as Weener Empire Plastics Limited, following the merger of EPL and Zeena Plastics Ltd. (ZPL) on April 1, 2007. In December 2013, WPPG of Netherlands purchased the shares of the Indian promoters in WEPL, thereby increasing its stake from 30.9% to 99.3%, which further increased to 100% in FY2015. The company was converted to a private limited entity in 2015.

WEPL manufactures plastic bottles and caps, mainly for the cosmetic and pharmaceutical industries. At present, the company has two factories at Silvassa (Dadra and Nagar Haveli), one at Dehradun (Uttarakhand), and one each at Tarapur (Maharashtra) and Umbergaon (Gujarat).

### Key financial indicators (Audited)

WEPL	FY2021	FY2022
Operating income (Rs. crore)	237.67	246.13
PAT (Rs. crore)	18.98	10.02
OPBDIT/OI (%)	19.94%	13.06%
PAT/OI (%)	7.99%	4.07%
Total outside liabilities/Tangible net worth (times)	0.34	0.38
Total debt/OPBDIT (times)	0.11	0.16
Interest coverage (times)	38.54	96.38

(Source: WEPL; ICRA)

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

### Status of non-cooperation with previous CRA: Not Applicable

### Any other information: None

## Rating history for past three years

	Instrument	Current rating (FY2023)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on January 15, 2023 (Rs. crore)	Date & rating on	FY2022	FY2021	FY2020
					January 30, 2023	October 29, 2021	July 14, 2020	May 31, 2019
1	Unallocated	Long-term/Short-term	15.00	-	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]BBB+(Positive)/[ICRA]A2+
2	Term Loans	Long-term	2.53	-	-	-	-	[ICRA]BBB+(Positive)
3	Proposed NCD	Long-term	0.00	-	-	-	-	[ICRA]BBB+&; withdrawn

&: Placed on rating Watch with Developing Implications

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Unallocated	NA	NA	NA	15.00	[ICRA]A- (Stable)/[ICRA]A2+

Source: WEPPL and ICRA

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis – Not Applicable

## ANALYST CONTACTS

**Rajeshwar Burla**

+91 40 4067 6527

[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

**Ashish Modani**

+91 22 6114 3414

[ashish.modani@icraindia.com](mailto:ashish.modani@icraindia.com)

**Abhishek Gupta**

+91 124 4545863

[abhishek.gupta@icraindia.com](mailto:abhishek.gupta@icraindia.com)

**Vinodhini M**

+91 44 4297 4313

[vinodhini.m@icraindia.com](mailto:vinodhini.m@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## 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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.