

October 29, 2024

East India Technologies Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term Fund Based - Working Capital	41.00	41.00	[ICRA]BBB (Stable): reaffirmed
Long term Fund based - Term Loan	38.05	41.46	[ICRA]BBB (Stable): reaffirmed
Short Term – Non-Fund Based Limits	39.00	37.00	[ICRA]A3+; reaffirmed
Long term – Unallocated	1.95	0.54	[ICRA]BBB (Stable): reaffirmed
Total	120.00	120.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the improvement in East India Technologies Private Limited's (East India) operating income (OI) in the expandable polystyrene (EPS) packaging division, supported by healthy demand and addition of new customers, while its electronic manufacturing services (EMS) division is expected to report a steady revenue growth in FY2025. Moreover, the company is expected to largely sustain its operating margins, supported by increasing economies of scale and savings in power cost in the EPS division. The ratings continue to consider the company's established position as a major player in the EPS segment, the promoters' experience and strong relationships with reputed customers, primarily in the consumer durables space.

The ratings, however, are constrained by the large debt-funded capex being undertaken in both EMS and EPS divisions in the recent past, which led to a moderation in the credit metrics in recent years. Nonetheless, these metrics are expected to improve over the medium term, aided by increasing accrual generation and no significant debt-funded capex. The ratings also factor in the susceptibility of the company's margins to fluctuations in raw material prices as it can pass on the input costs increases only to an extent and with a time lag. Additionally, there is intense competition in the packaging and electronics industry owing to low entry barriers and the commoditised nature of the products, which restrict the pricing power of manufacturers. Moreover, East India's credit profile is sensitive to slowdown in end-user industries and economic cycles.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to benefit from its established business position and stable demand outlook for its products.

Key rating drivers and their description

Credit strengths

Established operational track record of the company and extensive experience of its promoters in the EPS and EMS divisions

– The promoters and their families have been involved in the EPS business for more than three decades. The company has been supplying EPS packaging materials to reputed customers from the consumer durables industry, undertaking job work and manufacturing printed circuit boards (PCBs) in the EMS division, primarily for similar end-user industries, including room air conditioners (RACs).

Established relationships with customers and suppliers, primarily in EPS division – East India is one of the largest manufacturers of EPS products in the domestic market and caters to reputed white goods manufacturers. The company's customer base includes consumer durables majors such as Samsung India Electronics Private Limited, Daikin Airconditioning India Private Limited, Whirlpool India Private Limited, Havells India Limited, Haier Appliances India Private Limited and Panasonic India Private Limited, reflecting its ability to cater to large customers in the segment. The company has been dealing with these customers and certain suppliers for a long time and holds a leading position as an EPS player in northern India.

Additionally, East India has been assembling PCBs for Megmeet Electrical India Private Limited (Megmeet), a 100% subsidiary of the Chinese firm, Shenzhen Megmeet Electrical Co., Ltd., global electronics major.

Credit challenges

Moderate credit metrics owing to large debt-funded capex; expected to improve gradually – East India has incurred substantial debt-funded capex in the last two years, which has kept its credit metrics at a moderate level. The company has set up a new boiler at its own premises for the EPS division, and it has also expanded the production capacities across both EMS and EPS divisions. East India's credit metrics moderated as witnessed by Total Debt/OPBDITA of 3.1 times in FY2024 against 2.8 times in FY2023, and DSCR to 1.0 times in FY2024 against 1.3 times in FY2023. However, the credit metrics are likely to improve gradually from FY2025 with the expected increase in earnings and limited debt addition plan.

Moderate profit margins and return indicators due to contract nature of manufacturing – East India's profit margins are moderate due to the contractual nature of work in the EMS division wherein the contract manufacturers have limited pricing power. The profit margin in the EPS division is also moderate as selling and raw material prices are closely monitored by the customers. Industry participants like East India require constant investment in product innovation and capacity addition in line with the plans of OEMs, which generate returns in a gradual manner only, keeping the return indicators at moderate levels.

Exposed to intense competition in industry – Both the packaging and electronics industries are intensely competitive owing to various organised and unorganised players. However, East India's strong position as a supplier with sizeable capacities and proximity to clients, mainly in the EPS segment, provide it with a competitive edge. The demand for EPS moves in tandem with the consumer durables industry. Thus, East India's credit profile is sensitive to slowdown in end-user industries and economic cycles. There is intense competition in the EMS business from a few established and numerous small players.

Liquidity position: Adequate

East India's liquidity position is adequate, supported by steady internal accrual generation and cushion of Rs. 5-10 crore in fund-based working capital limits. While the company has a repayment liability of Rs. 15-17 crore each year during FY2025-FY2027, the cash generation from the business and buffer in cash credit limit are expected to be sufficient to manage its working capital requirements and repay the term loans. The company has a no major capex plan for FY2025-FY2027. In case of funding requirement, ICRA expects the promoters to infuse funds at short notice in a timely manner.

Rating sensitivities

Positive factors – The ratings upgrade would be driven by the company's sustained improvement in revenues and profitability. In terms of specific credit metrics, interest coverage of more than 4.0 times, on a sustained basis, will be a positive rating trigger.

Negative factors – The ratings will be downgraded if the company witnesses further deterioration in its working capital cycle or margins. In terms of specific credit metrics, Total debt/OPBDITA of more than 2.5 times, on a sustained basis, will also be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on East India's standalone financial profile

About the company

East India was established in 1989 and is managed by the Noida-based Bothra family. This is an ISO 9001:2008 and ISO 14001:2008 certified company that manufactures EPS thermocols used in the packaging of consumer durables. The company also manufactures PCBs in its EMS division. Its manufacturing facility is in Greater Noida, Uttar Pradesh. The company also has approval for production linked incentive (PLI) of Rs. 50-crore investment in its EMS division.

East India is a part of the Epack Group, which includes Epack Durable Limited. Epack Durables manufactures air conditioners, induction cooktops, juicer-mixer-grinders and water dispensers for customers such as Voltas, Havells, Godrej, Whirlpool, Haier, Blue Star, Philips and Bajaj. Epack Components Private Limited is a 100% subsidiary and captive unit of Epack Durable. Another Group company, Epack Polymers Private Limited, is involved in EPS manufacturing and prefabricated structures.

Key financial indicators

East India – Standalone	FY2023	FY2024*
Operating income	473.0	271.2
PAT	12.7	6.8
OPBDIT/OI	7.2%	11.1%
PAT/OI	2.7%	2.5%
Total outside liabilities/Tangible net worth (times)	3.7	1.6
Total debt/OPBDIT (times)	2.8	3.1
Interest coverage (times)	4.0	2.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. Crore; * Provisional

Note: All financial ratios as per ICRA's calculation

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

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	41.00	29-Oct-2024	[ICRA]BBB (Stable)	20-Jul-2023	[ICRA]BBB (Stable)	17-Nov-2022	[ICRA]BBB (Positive)	27-Dec-2021	[ICRA]BBB (Positive)
									26-Nov-2021	[ICRA]BBB (Positive)
Term Loans	Long Term	41.46	29-Oct-2024	[ICRA]BBB (Stable)	20-Jul-2023	[ICRA]BBB (Stable)	17-Nov-2022	[ICRA]BBB (Positive)	27-Dec-2021	[ICRA]BBB (Positive)
									26-Nov-2021	[ICRA]BBB (Positive)
Letter of Credit/BG	Short Term	37.00	29-Oct-2024	[ICRA]A3+	20-Jul-2023	[ICRA]A3+	17-Nov-2022	[ICRA]A3+	27-Dec-2021	[ICRA]A3+
									26-Nov-2021	[ICRA]A3+
Unallocated	Long Term	0.54	29-Oct-2024	[ICRA]BBB (Stable)	20-Jul-2023	[ICRA]BBB (Stable)	17-Nov-2022	[ICRA]BBB (Positive)	27-Dec-2021	[ICRA]BBB (Positive)

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term Fund Based - Working Capital	Simple
Long term Fund based - Term Loan	Simple
Short Term – Non Fund Based Limits	Very Simple
Long term – 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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	41.00	[ICRA]BBB (Stable)
NA	Term Loans	Sep 2022	-	Sep 2028	41.46	[ICRA]BBB (Stable)
NA	Letter of Credit/BG	-	-	-	37.00	[ICRA]A3+
NA	Unallocated	-	-	-	0.54	[ICRA]BBB (Stable)

Source: Company

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

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

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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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