

# Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



## Rating Rationale

July 26, 2021 | Mumbai

### Ecoplast Limited

*Rated amount enhanced*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.31.5 Crore (Enhanced from Rs.26.5 Crore)</b>
<b>Long Term Rating</b>	<b>CRISIL BBB-/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A3 (Reaffirmed)</b>

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

#### Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB-/Stable/CRISIL A3' ratings on the bank facilities of Ecoplast Limited (Ecoplast; part of the Ecoplast group).

The ratings continue to reflect the established market position in manufacturing of multilayer extrusion films and diversification into industrial films, along with a comfortable financial risk profile. These strengths are partially offset by moderate scale of operations and exposure to intense competition and large working capital requirement

#### Analytical Approach

For arriving at its ratings, CRISIL has consolidated the business and financial risk profiles of Ecoplast, and its wholly owned subsidiary, Synergy Films Private Limited (SFPL), collectively referred to as the Ecoplast group. This is because of Ecoplast's stake in SFPL of 100% and same management team.

*Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.*

#### Key Rating Drivers & Detailed Description

##### **Strengths:**

- **Established market position in manufacturing of multilayer extrusion films and diversification into industrial films:** The group has been into manufacturing of multilayer extrusion films for more than 30 years, which has helped establish strong relationship with customers and suppliers, and develop products to meet customer demands. The Ecoplast group has introduced several variants of multi-layer coextruded films used for packaging and non-packaging applications. Ability to provide customised solutions has helped the group build strong relationships with key customers and sustain revenues.
- **Comfortable financial risk profile:** Moderate networth of Rs.31.76 crore as on March 31, 2021 and limited reliance on outside borrowings have led to a strong capital structure, as reflected in gearing and total outside liabilities to adjusted networth ratio of

0.25 time and 0.62 time, respectively. In the absence of any major debt-funded capital expenditure (capex), the capital structure is expected to remain strong over the medium term. Debt protection metrics were comfortable, indicated by interest coverage and net cash accrual to adjusted debt ratios of 3.57 times and 0.31 time, respectively, in fiscal 2021. Supported by a comfortable operating margin (5-8%), the metrics are expected to remain stable over the medium term.

### **Weaknesses**

- **Moderate scale of operations and exposure to intense competition:** The Ecoplast group is primarily engaged in manufacturing multilayer coextruded plastic films used for flexible packaging and other speciality applications. The plastic packaging industry is highly fragmented, marked by the presence of a large number of unorganised players with small capacities. These players mainly cater to regional demand because short-period service requirements of customers. This restricts the growth opportunities for players to expand in new geographies and consolidate their business as reflected in revenues of Rs.74 crore in fiscal 2021.
- **Large working capital requirement:** Gross current assets (GCAs) were 149 days as on March 31, 2021. Customers are offered credit of 60-75 days and inventory of 45-55 days. Higher in sales in Q4 of fiscal 2021, had led to increase in debtors as on March 31, 2021 and increase in overall GCA days. Working capital is partially managed through payables of 40-45 days. In the absence of any change in the company's policies, GCAs are expected to remain high over the medium term.

### **Liquidity: Adequate**

Cash accrual is expected at Rs.4-5 crore per fiscal for fiscals 2022 and 2023, against repayment obligation of Rs.2.63 crore and Rs.2.23 respectively. The fund-based limit of Rs.14.00 crore has been utilised, at an average of around 12% during the 12 months through May 2021. The unencumbered cash and bank balance stood at Rs.0.44 crore as on March 31, 2021. Adequate cash accrual, unutilised bank lines, and the cash and bank balance should be adequate to support working capital requirement over the medium term.

### **Outlook: Stable**

CRISIL Ratings believes the Ecoplast group will continue to benefit from its established presence and above average financial risk profile.

### **Rating Sensitivity Factors**

#### **Upward factors**

- Increase in revenue and operating profitability leading to cash accrual of more than Rs.8 crore
- Better management of working capital requirement, strengthening its TOLANW

#### **Downward factors**

- Significant decline in revenue or profitability leading to net cash accrual of less than Rs.2 crore
- Debt-funded capex or stretched working capital cycle leading to significant weakening of the financial risk profile

### **About the Group**

Incorporated in 1981, Ecoplast manufactures multi-layer extrusion films used in flexible packaging. It also produces industrial films, such as aluminium composite and surface protection films, which are widely used in the construction and durable goods industries. The company is listed on the Bombay Stock Exchange. Mr Jaymin B Desai is the promoter of the company.

Incorporated in 2007, SFPL undertakes trading activity. Manufacturing operations of this entity were discontinued in December 2019.

### **Key Financial Indicators**

<b>As on/for the period ended March 31</b>	<b>Unit</b>	<b>2021</b>	<b>2020</b>
<b>Operating income</b>	<b>Rs.Crore</b>	<b>75.62</b>	<b>96.03</b>

<b>Reported profit after tax (PAT)</b>	<b>Rs.Crore</b>	<b>0.24</b>	<b>3.39</b>
<b>PAT margin</b>	<b>%</b>	<b>0.31</b>	<b>3.51</b>
<b>Adjusted debt/adjusted networth</b>	<b>Times</b>	<b>0.25</b>	<b>0.39</b>
<b>Interest coverage</b>	<b>Times</b>	<b>3.57</b>	<b>10.80</b>

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	14.0	NA	CRISIL BBB-/Stable
NA	Long Term Loan	NA	NA	Mar-2023	7.0	NA	CRISIL BBB-/Stable
NA	Working Capital Term Loan	NA	NA	Aug-2024	3.35	NA	CRISIL BBB-/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	0.5	NA	CRISIL BBB-/Stable
NA	Letter of Credit	NA	NA	NA	6.5	NA	CRISIL A3
NA	Bank Guarantee	NA	NA	NA	0.15	NA	CRISIL A3

**Annexure - List of Entities Consolidated**

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Ecoplast Ltd	Full	Operate in similar lines of business and have a common management team
Synergy Films Pvt Ltd	Full	

**Annexure - Rating History for last 3 Years**

Instrument	Current			2021 (History)		2020		2019		2018		Start of 2018
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
<b>Fund Based Facilities</b>	LT	24.85	CRISIL BBB-/Stable	21-07-21	CRISIL BBB-/Stable	25-11-20	CRISIL BBB-/Stable	05-11-19	CRISIL BBB-/Stable	31-12-18	CRISIL BBB-/Stable	CRISIL BBB-/Stable
<b>Non-Fund Based Facilities</b>	ST	6.65	CRISIL A3	21-07-21	CRISIL A3	25-11-20	CRISIL A3	05-11-19	CRISIL A3	31-12-18	CRISIL A3	CRISIL A3
<b>Fixed Deposits</b>	LT		--		--		--		--		--	Withdrawn/Stable

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	0.15	Bank of Baroda	CRISIL A3
Cash Credit	14	Bank of Baroda	CRISIL BBB-/Stable
Letter of Credit	6.5	Bank of Baroda	CRISIL A3
Long Term Loan	1.15	Bank of Baroda	CRISIL BBB-/Stable
Long Term Loan	5.85	Bank of Baroda	CRISIL BBB-/Stable
Proposed Fund-Based Bank Limits	0.5	Not Applicable	CRISIL BBB-/Stable
Working Capital Term Loan	3.35	Bank of Baroda	CRISIL BBB-/Stable

This Annexure has been updated on 16-Dec-2021 in line with the lender-wise facility details as on 13-Dec-2021 received from the rated entity.

**Criteria Details****Links to related criteria**

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Petrochemical Industry](#)

[CRISILs Criteria for rating short term debt](#)

[CRISILs Criteria for Consolidation](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p><b>Pankaj Rawat</b> Media Relations <b>CRISIL Limited</b> B: +91 22 3342 3000 <a href="mailto:pankaj.rawat@crisil.com">pankaj.rawat@crisil.com</a></p> <p><b>Naireen Ahmed</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1818 B: +91 22 3342 3000 <a href="mailto:naireen.ahmed@crisil.com">naireen.ahmed@crisil.com</a></p>	<p>Rahul Subrato Kumar Guha Director <b>CRISIL Ratings Limited</b> D:+91 22 4097 8320 <a href="mailto:rahul.guha@crisil.com">rahul.guha@crisil.com</a></p> <p>Ankita Gupta Associate Director <b>CRISIL Ratings Limited</b> D:+91 22 4097 8104 <a href="mailto:ankita.gupta@crisil.com">ankita.gupta@crisil.com</a></p> <p>Sarthak Omprakash Bhutra Management Trainee</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a></p> <p>For Analytical queries: <a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a></p>

**CRISIL Ratings Limited**  
B:+91 22 3342 3000  
[Sarthak.Bhutra@crisil.com](mailto:Sarthak.Bhutra@crisil.com)



**Note for Media:**

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

**About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)**

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ("CRISIL Ratings") is a wholly-owned subsidiary of CRISIL Limited ("CRISIL"). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit [www.crisilratings.com](http://www.crisilratings.com)

**About CRISIL Limited**

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

---

**CRISIL PRIVACY NOTICE**

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit [www.crisil.com](http://www.crisil.com).

**DISCLAIMER**

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale (each a "Report") that is provided by CRISIL Ratings Limited (hereinafter referred to as "CRISIL Ratings"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any

investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. Rating by CRISIL Ratings contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way. CRISIL Ratings or its associates may have other commercial transactions with the company/entity.

Neither CRISIL Ratings nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Ratings Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Ratings Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL RATINGS' PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL Rating's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, [www.crisil.com](http://www.crisil.com) (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: [www.crisilratings.com](http://www.crisilratings.com).

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <http://www.crisil.com/ratings/highlightedpolicy.html>

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public web site, [www.crisil.com](http://www.crisil.com). For latest rating information on any instrument of any company rated by CRISIL Ratings you may contact CRISIL RATING DESK at [CRISILratingdesk@crisil.com](mailto:CRISILratingdesk@crisil.com), or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings Limited is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011 to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: [www.crisil.com/ratings/credit-rating-scale.html](http://www.crisil.com/ratings/credit-rating-scale.html)