



## Press Release

Emperial Films LLP

July 28, 2021

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	24.41	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Upgraded
2.	Short Term Bank Facilities	1.75	IVR A3 (IVR A Three)	Upgraded
	<b>Total</b>	<b>26.16</b>		

Details of Facilities are in Annexure 1

### Detailed Rationale

The ratings assigned to the bank facilities of Emperial Films LLP (EFL) continues to draw comfort from experienced promoters, reputed customer profile albeit resulting in improvement in total operating income, comfortable capital structure and financial risk profile. The ratings also positively consider improvement in capacity utilization and favourable industry outlook for package industry. However, these rating strengths are partially offset by nascent stage of operations, exposure to government policies and intense competition with working capital intensive nature of operations. The rating also considers the profitability susceptible to fluctuation in the price of raw material and volatility in foreign exchange.

### Key Rating Sensitivities:

#### Upward Factor:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals
- Sustainable increase in market share

#### Downward factor:

- Dip in operating income or profitability impacting the debt coverage indicators, subdued industry scenario, deterioration in working capital management and moderation in overall gearing to more than 1.5 times could lead to a negative rating action.
- Elongation in the operating cycle adversely affecting the liquidity position



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Experienced promoters

The promoter Mr. Ashok Patel and Mr. Rakeshbhai Dadhaniya are first- generation entrepreneurs having more than a decade of experience in the packaging Industry, looking after overall Management of the LLP. The extensive experience of the promoter has helped to establish healthy relationship with customers and suppliers.

##### Reputed customer profile albeit:

The company has built robust relationship with customers. Customers like Britannia Industries Limited (BIL), Parle Products, Balaji Wafers, Gopal Snacks are associated with the company since the beginning reflecting good product quality and strong management creditability. In FY21, EFL customer profile consists of some of very well-known clients such as ITC Limited, Hindustan Unilever Limited (HUL), Nestle, Uflex Industries, IDMC – Amul, Dhariwal Industries (Group Of Manikchand), Uma Group Of Companies,etc.

##### Continuous improvement in Total Operating Income:

The total operating income of the firm has witnessed an increasing trend over the years and stood at Rs. 77.33 crore in FY21 (Rs.27.05 crore in FY19) with sustained growth at a CAGR of 41.81 %, driven by increasing orders from the existing customers and new & reputed customers. EFL derives 9% of it's total operating income from export sale to 8 countries and remaining from domestic market. The company has an order book of Rs 11 crore to be completed by August month indicating medium term revenue visibility

##### Improvement in capacity utilization:

EFL production commenced in August 2018 and in FY21, the firm recorded its second full year production, capacity utilization has increased to ~89 % FY21.



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### **Comfortable capital Structure and financial risk profile**

Capital structure of the company remained moderate marked by its modest net worth base of Rs.23.80 crore as on March 31, 2021 (Rs 23.54 crore in FY20), Infomerics considers the unsecured loan from promoter of Rs 0.50 crore in FY21, to be considered as quasi equity. The long term debt equity ratio and overall gearing ratio is comfortable at 0.84 times and 1.05 times as on March 31, 2021. Total indebtedness of the company as reflected by TOL/TNW improved from 1.41 times in March 31, 2019 to 1.30x as on March 31, 2021 driven by decrease in current liability and steady accretion of profit to net worth. Strong debt protection metrics with interest cover of 6.44x and Total Debt/GCA of 5.18x respectively. Further the company has earned as gross cash accruals of Rs 4.81 crore as against its debt repayment obligation of Rs 1.22 crore. The current and quick ratios are moderate at 2.46 x and 1.54x respectively as on March 31, 2021.

### **Favorable demand outlook for packaging industry**

The demand for the industry is favorable driven by a growing hygiene consciousness coupled with growing consumption in domestic market on account of increase in disposable income, consumerism, spending patterns and retail penetration.

### **Key Rating Weaknesses**

#### **Nascent stage of operation**

The company has started its operation since August 2018, hence it is in its nascent stage of operations. However, extensive knowledge of the promoters is expected to support the business risk profile of the firm in the long run.

#### **Profitability susceptible to fluctuation in the price of raw material and volatility in foreign exchange**

The critical inputs desired in packing production is Polypropylene. EFL purchases polypropylene granules from domestic as well as from overseas supplier. Prices of polypropylene granules is linked to crude prices and are determined by demand and supply scenarios in the crude oil market. The demands of PP plastic products are increasing but volatility in the price of the pp resin is inhibiting the growth of the market. The firm procure its



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raw material (mainly polypropylene) mainly through import (~85% of total purchase was through import in FY21) Abu Dhabi. High import expose the profitability of the firm to risks arising out of fluctuation in foreign exchange. On the other hand, EFL derived ~9% of its revenue through export sales in Oman, Jordan, Kenya, Saudi Arabia, Nepal, Sudan, UAE and Brazil in FY21. The firm use forward contract to cover its foreign exchange related risks however, remained vulnerable to volatility in foreign exchange.

### **Exposure to government policies and intense competition**

EFL, like other players in the packing industry, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, changes in import duty, restriction on import of plastic etc. Given the environment hazards of plastics, the sector remains sensitive to the government regulations. Further, the packing industry in India is highly fragmented and competitive due to presence of a few big players and various small/mid-sized players. Intense competition in the operating spectrum restricts the pricing power of the company to a large extent.

### **Working capital intensive nature of operations**

Company has working capital intensive nature of operations marked by operating cycle of 85 days in FY21 due to stretch in collection period along and inventory held by the company. However, the company's bank limits remained comfortable at ~61per cent over the past twelve months ending in May 21 indicating liquidity buffer.

### **Analytical Approach: Standalone**

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity – Adequate**

The liquidity profile of EFL in second full year of operations is adequate, has earned a cash accrual of Rs 4.81 crore against its debt repayment obligation of Rs 1.22 crore. The liquidity position of the company is expected to remain adequate marked by its expected gross cash accruals in the range of Rs.5.15-8.65 crore as compared to debt obligations in the range of



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Rs.4.12- 4.86 crore during FY22-24. Further, its bank limits are moderately to the extent of ~61% during the past 12 months ended May,2021 maintaining moderate liquidity cushion. EFL has free cash balance of Rs.0.17 Cr. The current and quick ratio remains moderate at 2.46x and 1.54x in FY21.

### **About the Company**

Emperial Films LLP (EFL) was incorporate in 2017 by Mr. Rakesh Dadhaniya and Mr. Ashok Patel. The firm started it's manufacturing operation in August 2018 at Gujrat and sales commenced in September 2018. EFL expertise lies in manufacture of cast polypropylene (CPP) films which are mainly used for food packaging. EFL has well diversified and reputed customer base in the domestic market and expanding its foot print in the export market.

The firm is part of Royal Group of Industries which is engaged in plastic industry since more than 7 years with various companies under its fold.

### **Financials (Standalone):**

	(Rs. crore)	
For the year ended*/As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	58.83	77.33
EBITDA	7.64	7.34
PAT	0.50	0.99
Total Debt	21.60	24.88
Tangible Net worth^	23.54	23.80
EBITDA Margin (%)	12.99	9.50
PAT Margin (%)	0.85	1.26
Overall Gearing Ratio (x)	0.92	1.05

*^Unsecured loan from promoter is treated as Quasi Equity.*

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Issuer not cooperating by CRISIL vide press release dated Nov 27, 2020 due to non-availability of information.

**Any other information:** Nil



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Limits	Long Term	24.41	IVR BBB-/ Stable outlook	IVR BB+/ Stable Outlook (Dated Jan 7 2021)	IVR BB/ Positive Outlook (Feb 24,2020)	-
2.	Non- Fund Based Limits	Short Term	1.75	IVR A3	IVR A4+ (Dated Jan 7 2021)	IVR A4 (Dated Feb 24,2020)	-
3.	Proposed Fund and Non Fund Based Limits	Long / Short Term	--	--	IVR BB+/ Stable Outlook; IVR A4+ (Dated Jan 7 2021)	- IVR BB/ Positive Outlook ; IVR A4 (Dated Feb 24,2020)	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

### Name and Contact Details of the Rating Analyst:

Name: Ms. Smriti Jetly

Tel: (011) 24611910

Email: [sjetly@infomerics.com](mailto:sjetly@infomerics.com)

Name: Om Prakash Jain

Tel: (011)24611910

Email: [opjain@infomerics.com](mailto:opjain@infomerics.com)

### About Infomerics:

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widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Limits	-	-	-	24.41	IVR BBB-/Stable Outlook
Non- Fund Based Limits	-	-	-	1.75	IVR A3

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/EmperialFilms-lenders-28july21.pdf>