



Press Release

Emperial Films LLP

November 09, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	46.02 (Enhanced from Rs. 35.56 crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	1.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	47.02	Rupees Forty-Seven Crore and Two Lakh Only		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Emperial Films LLP continues to take into account experienced promoters, reputed customer profile, continuous improvement in total operating income, moderate capital structure and financial risk profile and favourable demand outlook for packaging industry.

The ratings, however remains constrained by exposure of the company to government policies and intense competition, working capital intensive nature of operations, profitability susceptible to fluctuation in the price of raw material and volatility in foreign exchange and inherent risks for being a partnership firm

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals
- Sustained improvement in capital structure and debt coverage indicators
- Sustainable increase in market share

Downward Factors



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- 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

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 relationships with customers and suppliers.

Reputed customer profile

The firm has healthy relationship with customers. Customers like Parle Products Private Limited, Balaji Wafers Private Limited, ITC Limited are associated with the firm since the beginning reflecting good product quality and strong management credibility.

Continuous improvement in Total Operating Income

TOI of Emperial Films is increasing for the last past years from Rs. 77.33 Crore in FY21 to Rs. 112.11 Crore in FY22 and further increasing to Rs.131.43 Crore in FY23. The reason for the increase in TOI by 17.23% in FY23 is due to increase in sales volume of CPP Films. The profitability margins of the firm like EBITDA margin moderated from 8.91% in FY22 to 8.04% in FY23 on account of increase in manufacturing expenses such as import custom duty. PAT margin also moderated from 0.94% in FY22 to 0.84% in FY23 in line with the EBITDA margin. Owing to growth in operating scale, gross cash accruals (GCA) stood at Rs. 6.84 crore in FY23 as against Rs. 6.00 crore in FY22.

Moderate capital Structure and financial risk profile



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The financial risk profile of the firm is moderate marked by tangible net worth of Rs. 24.10 crore as on March 31, 2023 as against Rs.22.68 crore as on March 31, 2022. The overall gearing stands moderate at 1.24x as on March 31, 2023 as against 1.58x as on March 31, 2022. TOL/TNW stood at 1.75x as on March 31, 2023 as against 2.27x as on March 31, 2022. The debt protection metrics are moderate with interest coverage at 4.98x in FY23 as against 6.44x in FY22. Total Debt to GCA improved to 4.38 years as on March 31, 2023 as against 5.96 years as on March 31, 2022 on account of decline in term debt.

Favourable demand outlook for packaging industry

The demand for the industry is favourable 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

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 demand of PP plastic products is increasing but volatility in the price of the pp resin is inhibiting the growth of the market. The firm procure its raw material (mainly polypropylene) mainly through import from Abu Dhabi. High import exposes the profitability of the firm to risks arising out of fluctuation in foreign exchange. On the other hand, EFL derived ~33.73% of its revenue through export sales in FY23 which includes countries like Jordan, Saudi Arabia and Nepal. The firm does not hedge its foreign currency exposure and thus remains vulnerable to volatility in foreign exchange with respect to its unhedged portion.

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



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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 firm to a large extent.

Working capital intensive nature of operations

Firm has working capital intensive nature of operations marked by operating cycle of 48 days in FY23 which improved from 57 days due to decrease in debtor period. However, the firm's bank fund-based limits remained moderately utilized at around ~61.48% during the past twelve months ended October 2023 and 91.21% utilised from non- fund based working capital limits during the past twelve months ended October 2023.

Inherent risks for being a partnership firm

Being a partnership firm, it is exposed to the risk, capital withdrawals by the partners and extent of withdrawal going forward will remain a key monitorable, the risk of dissolution of the firm upon the death, retirement or insolvency of partners.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The liquidity position of the firm is expected to remain adequate as the firm expects sufficient cushion in its cash accruals as against its scheduled debt repayment obligation during the next 3 years. Its fund based working capital limits remained moderately utilised at around ~61.48% during the past twelve months ended October 2023 and 91.21% utilised from non-fund based working capital limits during the past twelve months ended October 2023. The Current Ratio of the firm stood at 1.47x as on March 31, 2023. The unencumbered cash and



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bank balance as on 30th September 2023 is Rs. 0.04 Crore. The cash operating cycle of the firm is of 48 days in FY23 (57 days in FY22).

About the Company

Emperial Films LLP (EFL) was incorporated in 2017 by Mr. Rakesh Dadhaniya and Mr. Ashok Patel. The firm started its manufacturing operations in August 2018 at Gujarat and sales commenced in September 2018. EFL's 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 as well as in export market. The manufacturing plant of the firm is located at Survey No. 467 Paikee, Lajai, Taluka, Tankara Morbi Rajkot Gujrat. The current annual installed capacity of the unit is 8600MT. The firm is part of Royal Group of Industries which is engaged in plastic industry for more than 8 years with various companies under its fold.

Financials (Standalone):

For the year ended/As on*	30-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	112.11	131.43
EBITDA	9.99	10.57
PAT	1.09	1.10
Total Debt	35.79	29.95
Tangible Net Worth	22.68	24.10
Ratios		
EBITDA Margin (%)	8.91	8.04
PAT Margin (%)	0.97	0.84
Overall Gearing Ratio (x)	1.58	1.24

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA:

Crisil vide its press release dated March 14, 2023 has continued to classify the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:



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S r. No.	Name of Instru ment/ Faciliti es	Current Ratings (Year 2023-24)				Rating History for the past 3 years		
		Type	Amou nt outsta nding (INR Crore)	Rating	Date(s) & Rating(s) assigne d in 2022- 2023 (August 22, 22)	Date(s) & Rating(s) assigne d in 2021- 2022 (July 28, 21)	Date(s) & Rating(s) assigne d in 2020- 2021 (Jan 07, 2021)	Date(s) & Rating(s) assigne d in 2019-20 (Feb 24,2020)
1.	Long Term Fund based Facility	Long Term	46.02	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable Outlook	IVR BB+/ Stable Outlook	IVR BB/ Positive Outlook
2.	Short Term Facility	Short Term	1.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3	IVR A4+	IVR A4
3.	Propo sed Fund Based and Non Fund Based Limits	Long/ Short Term	-	-	-	-	IVR BB+/ Stable Outlook ; IVR A4+	IVR BB/ Positive outlook;

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics



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commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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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
Long Term Bank Facility- Term Loan	-	-	March 2030	32.02	IVR BBB-/Stable
Long Term Bank Facility- Cash Credit	-	-	-	14.00	IVR BBB-/Stable
Short Term Bank Facility – Bank Guarantee	-	-	-	1.00	IVR A3



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Emperial-nov23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.

