



Press Release

East India Drums & Barrels Manufacturing Company (EIDBMC)

August 31, 2021

Ratings

Instrument / Facility	Amount (INR crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities -Term Loan	11.65	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Long Term Fund Based Bank Facilities -Cash Credit	14.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	04.00	IVR A4+ (IVR A FourPlus)	Assigned
Total	29.65 (Twenty-Nine Crores and Sixty-Five Lakhs Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid Rating assigned to the bank facilities of East India Drums & Barrels Manufacturing Company (EIDBMC) takes into account long-standing experience of partners in the industrial drums manufacturing industry, reputed customer base, increasing scale of operations & range bound profitability. The rating is however constrained by vulnerability of the firms' profitability to any adverse fluctuations in the key raw material prices, Moderate debt protection metrics & capital structure, fragmented and competitive nature of industry.

Key Rating Sensitivities:

Upward Factors

Substantial & sustained improvement in revenue & profitability leading to improvement in debt protection metrics.

Downward Factors

Any decline in revenue profitability leading to sustained deterioration in debt protection metrics.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long-standing experience of partners in the industrial drums manufacturing industry:

The key managing partner of the firm Mr.Madhav Valia has extensive experience of around a decade since 2013 in the industrial drums manufacturing industry, which has resulted in healthy relationships with the clientele.

Reputed customer base:

EIDBMC is in the business of manufacturing drums & barrels with primary applications in storage and packaging of hydrocarbons & speciality chemicals.The clientele of the firm primarily includes reputed government oil companies like IOCL,HPCL, BPCL and ONGC. This mitigates the counterparty credit risk for the firm to a great extent.

Increasing scale of operations & range bound profitability The firm is in the business of manufacturing drums and barrels since 2013.The firm's revenues have grown at a compounded annual growth rate (CAGR) of ~ 26% to INR 151.30 crore in FY2021from INR 74.94 crore in FY2018. Although there was a slight dip in the firms' operating income in FY21 to INR 151.30 crore from INR 153.42 crore in FY20 due to COVID-19 pandemic induced nationwide lockdowns, going forward the firm is expected to maintain topline growth momentum in FY22. Its EBITDA margin & PAT margin remains range bound between 3.09%-5.54%& 0.82%-2.74% respectively during FY18-FY21. The volatility in the margin was on account of fluctuation of key raw material price.

Key Rating Weaknesses

Vulnerability of the firms' profitability to any adverse fluctuations in raw material prices:

The principal raw material for the firm comprising ~ 90% of the raw material cost is CRCA coil which is a flat steel product. Consequently, the firm's operating margins remains exposed to volatility in steel prices. Any adverse movement in the steel prices could have an adverse impact on the firm's margins, considering its limited ability to transfer the price rise to its erstwhile customers which are oil public sector companies. However, the firm is shifting



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its focus to private customers, where it would be able to pass raw material price increase to its customers.

Moderate debt protection metrics & capital structure:

The firm has moderately leveraged capital structure in FY21 as evinced by Overall Gearing ratio of 1.91x , Total Outside Liabilities to Tangible Net worth ratio of 2.81x and Total debt to EBITDA ratio of 3.21x. The firms' ISCR ratio in FY21 is 3.12x.

Highly fragmented and competitive industry limiting pricing flexibility:

The manufacturing process of the firm does not involve use of high end technology. This makes the firm susceptible to the low entry barriers. The firm faces competition from both the large established players as well as the numerous small-sized players, limiting its pricing flexibility. This may adversely affect profitability margins for the firm.

Working capital intensive nature of firms' operations:

The firm's operations are working capital intensive in nature because of the fact that the firm has to pay in advance to its suppliers for procurement of raw materials and it has to extend credit period to its customers. Any significant increase in revenues would have to be accompanied by increase in working capital funding or infusion of capital.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The firm's liquidity remains adequate marked by adequate net cash accruals for FY 21. Due to working capital intensive nature of firm's operations its bank limit utilization for the past twelve months ending June 21 remains high at ~93%. The firm's cash & cash equivalents for the year ended March 2021 are at INR 0.94 crores and unencumbered Fixed Deposits with bank at INR 2.13 crores. The current ratio stood at 1.29x for FY21.



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About the Firm

East India Drums & Barrels Manufacturing Company is a partnership firm engaged in manufacturing and supply of industrial drums like Mild Steel (MS) Drum, Galvanized (GI) Drum and Composite Barrels. The firm was established as a sole proprietorship firm by Mr. Madhav Valia & Ms. Sangita Valia in 2013. The firm is categorized as a MSME unit. EIDBMC has an in house technology and product development centres engaged in innovative work for design of new products. The principal application of the firms' product is packaging and storage of hydrocarbons and speciality chemicals. The firm has manufacturing locations at Daman and Sonipat – Haryana and has recently started a unit in Karjat- Maharashtra with a combined capacity of 21 lakh drums of various grades and sizes per annum.

The firm is planning to transfer all the assets & liabilities on a going concern basis to a newly formed private limited company with a name East India Drums & Barrels Manufacturing Private Limited. The same was incorporated at Mumbai RoC on 30th April 2021.

Financials Standalone:

For the Year Ended/As On	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	153.42	151.30
EBITDA	6.93	8.39
PAT	3.26	4.15
Total Debt	24.37	26.91
Tangible Net-Worth	5.08	14.12
Ratios		
EBITDA Margin (%)	4.51	5.54
PAT Margin (%)	2.12	2.74
Overall Gearing (x)	4.80	1.91

Status of non-cooperation with previous CRA:None

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (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 Bank Facilities – Term Loan	Long Term	11.65	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	--	--	--
2.	Fund Based Bank Facilities – Cash Credit	Long Term	14.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	--	--	--
3.	Fund based Bank Facilities – Bank Guarantee	Short Term	04.00	IVR A4+ (IVR A FourPlus)	--	--	--
		Total	29.65				

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually 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
Long Term Fund Based Bank Facilities -Term Loan	-	-	Upto January 2028	11.65	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Long Term Fund Based Bank Facilities -Cash Credit	-	-	Revolving	14.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	-	-	Revolving	4.00	IVR A4+ (IVR A FourPlus)

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/lender-eidb-31-08-21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable:The Terms of sanction include standard covenants normally stipulated for such facilities.

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple
2.	Cash Credit	Simple
3.	Bank Guarantee	Simple

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.