Emmbi Industries Limited

April 07, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	181.60	CARE BBB+; Stable	Assigned
Long-term / Short-term bank facilities	31.20	CARE BBB+; Stable / CARE A3+	Assigned

Details of facilities in Annexure-1

Rationale and key rating drivers

Ratings assigned to bank facilities of Emmbi Industries Limited (EIL) derive strength from extensive experience of its promoters in the flexible intermediate bulk container (FIBC) industry, geographically diversified revenue profile, support from research & development activities, established relationship with its clientele and stable industry outlook. Ratings also factor in stable in scale of operations in FY24 (refers to April 01, 2023, to March 31, 2024) and 9MFY25 (refers to April 01, 2024, to September 30, 2024).

CARE Ratings Limited (CARE Ratings) takes cognisance of moderate profitability and return indicators in FY24 and 9MFY25. However, ratings continue to remain constrained considering moderate capital structure and weak debt protection metrics, working capital intensive operations leading to elongated operating cycle, with presence in the competitive industry and profitability susceptible to volatile raw material prices and foreign exchange rates.

Rating Sensitivities: Factors likely to lead to rating actions.

Positive Factors -

- Sizeably improving operations above ₹500 crore and improvement in operating profit margin on a sustained basis.
- Improvement in the operating return on capital employed (ROCE) above 10% on sustained basis and maintaining its capital structure and debt coverage indicators below unity.

Negative Factors-

- Large-sized debt funded capex, resulting in deterioration in capital structure with overall gearing of over 1.50x
- Deterioration in debt coverage indicators marked by profit before interest, lease rentals, depreciation, and taxation (PBILDT) Interest coverage below 2x and total debt to gross cash accruals (TD/GCA) of over 7 x on a sustained basis.
- Deterioration in operating cycle above 60 days going forward on sustained basis.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that the company shall continue to benefit from extensive experience of its promoters and established presence in the plastic and FIBC industry sustain its financial risk profile.

Detailed description of key rating drivers:

Key strengths

Promoters' significant experience and technical expertise in flexible packaging industry

EIL is led by first-generation entrepreneurs—Makrand Appalwar, a Bachelor of Engineering, and Rinku Appalwar, an MBA—who bring over three decades of experience in the flexible packaging industry. Their deep technical expertise, focus on innovation, and emphasis on backward integration have enabled development of differentiated products such as Reclaim30. Promoters have played a pivotal role in EIL's growth, supported by a strong team of professionals across functions.

Established market position, diversified product portfolio and wide geographical presence catering to a broad clientele base

EIL has a strong foothold in the flexible packaging industry, offering a diverse product portfolio across B2B and B2C segments, including FIBC bags, crop protection products, and industrial packaging solutions. With exports to over 70 countries, including key markets in Europe, the US, and the UK, the company benefits from a well-diversified customer base, reducing dependence on single region or sector. EIL is an export focused player with export sales constituted ~58% of total net sales in FY24 (FY23: 56%) with major exports to the United States of America (USA) and European Union (EU) region. EIL's products find application in diversified industries such as food, fast-moving consumer goods, chemicals, pharmaceuticals, agriculture, construction, water conservation, and aquaculture among others.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Support from research & development department

EIL's dedicated R&D team drives innovation, enabling the development of value-added and sustainable products such as Reclaim30 (FIBC bags using recycled material). The company's focus on technology-driven solutions, backward integration, and process optimisation enhances product quality, cost efficiency, and differentiation in a competitive market. This continuous innovation strengthens its market position and customer retention.

Stable scale of operation

EIL has maintained a stable scale of operations despite demand fluctuations and raw material price volatility. TOI declined to ₹277.01 crore in FY21 due to the pandemic but rebounded to ₹440.43 crore in FY22 before moderating to ₹381.06 crore in FY24. In 9MFY25, EIL's revenue grew by ~9% on YoY to ₹296.8 crore compared to ₹271.70 crore in 9MFY24, driven by improved demand.

Key weaknesses

Moderate profitability and return indicators

Profitability remained moderate and in range of 10-12% over the years, with PBILDT margin at 9.80% in FY24 (9.96% in FY23), impacted by higher raw material costs. Despite decline in the PBILDT margin to 9.70% in 9MFY25 from 10.16% in 9MFY24, it remains comparable with FY23 and FY24 levels. Increased finance and depreciation expenses, leading to a slight dip in profit after taxation (PAT) margin to 1.68% in 9MFY25 (PY: 1.99%). As a result, return indicator marked by ROCE remained muted at 8.16% for FY24. Going forward, the company's ability to improve profitability margins and return indicators would remain key monitorable.

Moderate capital structure and weak debt protection metrics

EIL has maintained a moderate capital structure in the last five years, with net worth steadily increasing from ₹117.71 crore in FY20 to ₹155.60 crore in FY24, supported by internal accruals. Total debt also increased from ₹116 crore in FY20 to ₹156 crore in FY24, primarily to support working capital requirements and debt funded capex. Despite the rise in debt, overall gearing remained stable at 1.01x in FY23 and FY24. Interest coverage has also shown declining trend in the last two years and remained moderate at 2.21x in FY24. However, TD/GCA remained high at 7.98x in FY24 and 7.55x in FY23 and is expected to remain at the similar level in FY25 indicating increased debt burden relative to cash accruals, which could limit financial flexibility.

Working capital intensive operations leading to elongated operating cycle

EIL's operations are inherently working capital intensive due to the need to maintain high inventory levels for raw materials and finished goods. The company's average inventory days have remained elevated, increasing from 94 days in FY22 to 119 days in FY24. Extended credit periods to customers further strain the working capital cycle, leading to higher reliance on short-term borrowings resulting in average maximum working capital utilisation at ~92% for 12 months ended in February 2025.

Prevailing competition in flexible packaging segment and profit margins susceptible to volatility raw material price and currency exchange rate

EIL operates in a highly competitive and fragmented flexible packaging industry, characterised by the presence of numerous domestic and international players. Intense competition limits pricing power and profitability, especially in standardised product categories. EIL's profitability remains exposed to fluctuations in raw material prices, polymers, which constitutes a significant portion of its cost structure. Sharp changes in raw material costs can impact margins. With a substantial portion of revenue derived from exports, the company is vulnerable to currency exchange rate fluctuations. While EIL employs partial hedging mechanisms, forex volatility continues to pose a risk to profitability.

Liquidity: Adequate

EIL has adequate liquidity with adequate GCA of ~₹20 crore against debt repayment obligation of ~₹14.58 crore in FY25. This with liquid investment and cash and bank balances of ₹1.14 crore. Cash flow from operation remained at ₹28.06 crore in FY24. Average month-end balance of fund-based working capital utilisation remained high at ~92% for 12 month ended February 2025 due to elongation in operating cycle.

Applicable Criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies

Financial Ratios – Non financial Sector
Short Term Instruments

About the company
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Packaging

Formerly known as Emmbi Polyarns Limited, EIL was incorporated in 1994 and is engaged in manufacturing flexible intermediate bulk containers (FIBC), commonly known as jumbo bags, woven sacks and woven polymer-based packaging solutions catering to business-to-business and business-to-consumer segment. Headquartered in Maharashtra, India, EIL has a strong domestic and global presence, exporting to over 70 countries, backed by its focus on product innovation, backward integration, and value-added offerings.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	376.31	381.06	296.80
PBILDT	37.48	37.36	28.78
PAT	8.26	9.94	5.01
Overall gearing (times)	1.01	1.01	NA
Interest coverage (times)	2.39	2.21	NA

A: Audited; UA: Unaudited NA: Not Available, note these are latest available financial results.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of rated for this company: Annexure 4

Lender details: Annexure-5

Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-Working capital facilities		-	-	-	132.00	CARE BBB+; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	31.20	CARE BBB+; Stable / CARE A3+
Term Loan-Long Term		-	-	March 2028	49.60	CARE BBB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Term Loan-Long Term	LT	49.60	CARE BBB+; Stable				
2	Fund-based-Working capital facilities	LT	132.00	CARE BBB+; Stable				
3	Fund-based/Non-fund-based-LT/ST	LT/ST	31.20	CARE BBB+; Stable / CARE A3+				

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not available

Annexure 4: Complexity level of facilities rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Working capital facilities	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Term Loan-Long Term	Simple

Annexure 5: Bank Lender Details for this Company
To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instrument: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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