

APRIL 15, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF EMMBI INDUSTRIES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	100.98	CARE BBB+ [Triple B Plus]	Revised from CARE BBB [Triple B]
Short-term Bank Facilities	1.00	CARE A3+ [A Three Plus]	Revised from CARE A3 [A Three]
Total Facilities	101.98 [Rupees One Hundred One crore and Ninety Eight lakh only]		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Emmbi Industries Ltd. (EIL) takes into account consistent growth in operations along with improving profitability margins in FY15 (refers to the period April 01 to March 31) and 9MFY16. Moreover, the revision also factors in continuous addition of new value added products to diversify the revenue base.

The ratings continue to factor in the experience of the promoters in polymer-based packaging products and increase in the presence in the export market. The ratings also factor favorably reduction in the trading activity and moderate financial profile characterized by comfortable leverage and debt coverage indicators.

The rating strengths are, however, tempered by relatively modest scale of operations with fragmented nature of the polymer industry and significant reliance on debt to finance working capital intensive nature of operations.

Going forward, the ability of the company to increase scale of operations coupled with improved profitability margins, capital structure and optimum operating cycle (days) would remain the key rating sensitivities.

Background

EIL (erstwhile known as Emmbi Polyarns Limited), incorporated in 1994, is engaged in the manufacturing of flexible intermediate bulk container (FIBC) / jumbo bags, woven sacks and various woven polymer-based packaging products. EIL's revenue base comprises of four segments namely specialty packaging, advance

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

composites, water conservation and agri products which are primarily used in fast moving consumer goods (FMCG), heavy chemicals, poultry-feed, cement and fertilizers industry. The company majorly procures its raw material requirement from Reliance Industries Ltd, GAIL India Ltd. and IOCL. Furthermore, it caters to a wide customer base spread across 51 countries with 55% of the net sales derived from exports (majorly to USA and UK).

The manufacturing facilities of the company are located at Silvassa and as on March 31, 2015, it had total installed capacity of 18,200 metric tonne per annum (MTPA) with capacity utilization at 70% in FY15.

During FY15, EIL posted total income of Rs.184.44 crore (vis-à-vis Rs.159.01 crore in FY14) and PAT of Rs.5.97 crore (vis-à-vis Rs.4.34 crore in FY14). Furthermore, EIL posted total income of Rs.151.65 crore and PAT of Rs.6.88 crore in 9MFY16.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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