Press Release

RMG Polyvinyl India Limited

September 17, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 39.57 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable
Short Term Rating	ACUITE A1

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE A-**' **(read as ACUITE A minus)** and short term rating of **'ACUITE A1' (read as ACUITE A one)** on the Rs. 39.57 crore bank facilities of RMG Polyvinyl India Limited. The outlook is **'Stable'**.

Incorporated in 1998, RPIL is engaged in manufacturing of PVC flooring, PVC artificial leather, PVC films and sheeting and PVC geomembrane sheets. It is led by Mr. Arvind Goenka (Managing Director). The company sells its products under the brand name 'Wonderfloor' pan-India and also exports to gulf countries, European countries, South America, South-East Asian countries, Nepal, Sri Lanka and Bangladesh.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RPIL to arrive at its rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**
  RPIL commenced operations from 1998 under the leadership of Mr. Arvind Goenka Managing Director. The promoter has more than two decades of experience in this industry which has enabled the company to forge healthy relationships with customers and suppliers. The company also has experienced second line of management who are responsible for the various functions in the company. RPIL has wide customer base with top 10 customers accounting for ~38 percent of sales. Acuité believes that RPIL will continue to benefit from its strong presence, experienced management team and established relationships with customers.

- **Healthy scale of operations and diversified product range**
  RPIL has healthy scale of operations with operating income of Rs.190.76 crore in FY2018 (Provisional). The company's revenues grew by ~16 percent in FY 2018 over operating income of Rs.164.42 crore in FY2017. The company has reported moderate revenue growth with compounded annual growth rate (CAGR) of around 7.00 percent through the last four years ended 31 March, 2018 (Provisional). The company has diversified range of products comprising of commercial flooring, semi commercial flooring, residential flooring and others. These products cater to wide variety of sectors like residential, healthcare, sports, education, agriculture, corporate and few more under various brand names for each product line like Sigma, Wallpro, Bravo, Robust, Galaxy, among others. This helps the company to cater to various customers across sectors and also mitigate the risk of customer and sales concentration.

- **Comfortable working capital operations**
  RPIL has comfortable working capital operations marked by gross current assets (GCA) of 89 days in FY2018 (Provisional) as against 110 days in FY2017. The company maintains inventory of around 50 days on an average and extends clean credit of around 30 to 45 days to its customers, resulting in low GCA days. The inventory and debtor levels stood at 57 and 28 days in FY2018 (Provisional) as against 54 and 40 days in FY2017, respectively. As a result, the average utilisation of bank limits stood at ~70 to 80 percent in the last six months. Acuité believes that the working capital requirements will continue to remain comfortable over the medium term on account of timely payment from the customers and moderate inventory requirement.

- **Comfortable financial risk profile**
RPIL's financial risk profile is comfortable marked by high net worth and comfortable gearing and debt protection measures. The net worth is sizeable at Rs. 50.78 crore as on 31 March, 2018 (Provisional) as against Rs.48.93 crore as on 31 March, 2017. The gearing of the company has remained comfortable at 0.26 times as on March 31, 2018 (Provisional) as against 0.44 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.73 times as on 31 March, 2018 (Provisional) as against 1.12 times as on 31 March, 2017 supported by efficient working capital cycle. Healthy scale of operations coupled with moderate debt levels have resulted in comfortable debt protection measures. Interest Coverage Ratio (ICR) improved to 7.38 times in FY2018 (Provisional) from 5.67 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.87 times as on 31 March, 2018 (Provisional) as against 0.35 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 2.28 times in FY2018 (Provisional) as against 2.72 times in FY2017. Acuité believes that the financial risk profile of RPIL will continue to remain comfortable over the medium term and will continue to support its overall credit risk profile.

Weaknesses

- **Susceptibility of profitability to volatility in material prices**
RIPL's operating profitability is susceptible to volatility in the raw material prices. The company is exposed to fluctuation in crude oil prices in the absence of adequate hedging mechanism, as PVC resin is a derivative of crude oil. The operating margins of the company increased to 8.30 percent in FY2018 (Provisional) from 7.79 percent in FY2017 as the company benefited from lower crude oil prices. The company's profitability may to decline in the near term due to the rising trend in the crude oil prices in recent past. Any sustained and sharp decline in operating profitability may adversely impact the credit risk profile of the company and remains a key rating sensitivity factor.

Outlook: Stable
Acuité believes that RPIL will maintain a 'Stable' outlook over the medium term and benefit from the promoters' established track record, and company's healthy scale of operations and comfortable financial risk profile. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in RPIL's operating income and profitability, while maintaining working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of the company's capital structure and debt protection metrics or moderation in revenue growth along with profitability pressures.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	190.76	164.42	170.93
EBITDA	Rs. Cr.	15.83	12.80	13.65
PAT	Rs. Cr.	5.83	4.35	5.10
EBITDA Margin	(%)	8.30	7.79	7.99
PAT Margin	(%)	3.05	2.64	2.98
ROCE	(%)	15.99	13.18	16.50
Total Debt/Tangible Net Worth	Times	0.26	0.56	0.50
PBDIT/Interest	Times	7.38	5.67	6.07
Total Debt/PBDIT	Times	0.78	1.86	1.41
Gross Current Assets (Days)	Days	89	110	93

Status of non-cooperation with previous CRA (if applicable)
None.

Any other information
None.

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm

• Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)
Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00*	ACUITE A- / Stable (Assigned)
Stand by line of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A- / Stable (Assigned)
Term loan - 1	Not Applicable	Not Applicable	Not Applicable	0.91	ACUITE A- / Stable (Assigned)
Term loan – 2	Not Applicable	Not Applicable	Not Applicable	0.29	ACUITE A- / Stable (Assigned)
Term loan - 3	Not Applicable	Not Applicable	Not Applicable	4.27	ACUITE A- / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	20.00**	ACUITE A1 (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A- / Stable (Assigned)

**EPC/PSC/FBD sublimit of Rs.2.00 crore.*
***BG limit sublimit of Rs.3.00 crore.*

Contacts

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About Acuité Ratings & Research:
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