

Press Release

RMG Polyvinyl India Limited

September 16, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.53.85 Cr. (Enhanced from Rs.39.57 Cr.)
Long Term Rating	ACUITE A- / Outlook: Stable (Reaffirmed and Assigned)
Short Term Rating	ACUITE A1 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the 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 and 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**) to the Rs.14.28 crore bank facilities of RMG Polyvinyl India Limited (RPIL). The outlook is '**Stable**'.

Uttar Pradesh-based, RMG Polyvinyl India Limited was incorporated in 1998 and is engaged in the business of manufacturing and trading of PVC flooring, PVC artificial leather, PVC films and sheeting and PVC geomembrane sheets. RPIL is headed by Mr. Arvind Goenka and Mrs. Indira Goenka. The company generates its revenues by selling products under the brand name 'Wonderfloor' in domestic markets as well as overseas to countries such as Bangladesh, New Zealand and Italy to name a few.

Further in 2018, RMG polyvinyl amalgamated with Jarella Baba finance company private limited, Beneficial Trading Company Private Limited and Sunhil Leasing & Finance Private Limited.

Analytical Approach

During last rating exercise, Acuite had considered standalone business and financial risk profile of RPIL for arriving at rating. During FY2019, Jarella Baba finance company private limited, Beneficial Trading Company Private Limited and Sunhil Leasing & Finance Private Limited have merged into RIPL and the same has been taken into consideration while arriving at the rating.

Key Rating Drivers

Strengths

- **Extensive experience of the promoters**

RPIL is promoted by Mr. Arvind Goenka and Mrs. Indira Goenka. The promoters have been engaged in the same industry for around three decades through various entities including Premier Polyplast, Motley Securities Private Limited and The Plastics Export Promotion Council to name a few. The senior management team is ably supported by a strong line of mid-level managers. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. The key customers of the company include names such as The Kothari Multitrade, Poddar Interior, Premier Polyfilm Limited amongst others with no major concentration in revenues. On the back of the stable and repeat orders by the key customers, the revenues have seen a compound annual growth rate (CAGR) of about 19.97 per cent over the past three years through FY2019 at Rs.239.03 crore in FY2019.

- **Healthy financial risk profile**

RPIL's financial risk profile is healthy, marked by a healthy net worth, low gearing and above average debt protection metrics. RPIL's net worth is healthy estimated at around Rs.64.89 crore as on March 31, 2019. The net worth levels have seen significant improvement over the last three years through FY2019 on account of healthy accretion to reserves during the same period. The company has followed a conservative financial policy in the past; the same is

reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.58 times and 1.06 times as on March 31, 2019. RPIL's healthy cash accruals to the tune of about Rs.15.31 crore have supported in minimizing the reliance on external debt, leading to healthy gearing and debt levels of 0.27 times and Rs.17.73 crore as on March 31, 2019 respectively. RPIL's cash accruals over the next three years through 2020-22 are estimated to remain in the range of Rs.18.87 crore – Rs.22.89 crore, which are comfortable to service its repayment obligations of around Rs.2.48 crore to Rs.3.49 crore and to support its routine capex and incremental working capital requirements. The revenues of the company increased by around 25.30 per cent to Rs.239.03 crore during 2018-19, while its operating margins were moderate in the range of 7.8-7.9 per cent. The healthy profitability levels coupled with low debt levels has led to healthy debt protection measures. The NCA/TD and interest coverage ratio for FY2019 were healthy at 0.86 per cent and 12.32 times, respectively. The company procures 42 per cent of its total raw material requirements from overseas, while export constitutes 12.87 per cent of its total sales, thereby providing a natural hedge to certain extent. The company keeps margins to hedge the balance forex exposure.

• **Efficient working capital management**

RPIL's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around 87 days for FY2019 as against 109 days in the previous year. The company maintains inventory levels of around 48 days. The debtor's collection period stood at 48 days as against 57 days in the previous year. The creditor days stood at 33 days in FY2019 as against 38 days in the current year. As a result, the reliance on working capital limits is low, leading to low of its bank lines at an average of 45-50 per cent over the last twelve months through August 2019. While the peak utilization is also moderate at around 75-80 per cent during the same period. Acuite expects the working capital management to remain efficient over the medium term on account of the lean inventory levels maintained by the company and limited credit period extended to its customers.

Weaknesses

• **Susceptibility of margins to raw material price fluctuation and foreign exchange fluctuation risk**

The major raw material required by RPIL is PVC resin, which is a derivative of crude oil whose prices have been fragile subjected to various macroeconomic factors. The fluctuation in the aforementioned raw material price has led to a drop in the operating margins of the company marked by the operating margin of 7.87 per cent for FY2019 as against 8.11 per cent in the previous year.

The exports of the company constituted around 12.87 per cent of the total sales, whereas RPIL procured around 42 per cent of its raw materials from overseas. As a result, the company's business is exposed to fluctuations in foreign exchange rate due to lack of an adequate hedging mechanism. However, the risk is mitigated to an extent by the natural hedging and the extensive experience of the promoters.

Liquidity Position

RPIL has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.15.31 crore for FY2019 against debt obligations of Rs.3.49 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.18.87 crore to Rs.22.89 crore during 2020-22 against repayment obligations ranging from Rs.3.49 crore to Rs.2.48 crore. RPIL's working capital operations are efficient marked by gross current asset (GCA) days of 87 days for FY2019. The company maintains unencumbered cash and bank balances of Rs. 0.57 crore as on 31 March, 2019. The current ratio stood at 1.91 times as on 31 March, 2019. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuite believes that RPIL will maintain a 'Stable' outlook in the medium term and will continue to benefit over the medium term due to its experience management, established market position and healthy financial risk. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure through equity infusion. Conversely, the outlook may be revised to

'Negative', if company generates lower-than-anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	239.03	190.77	166.07
EBITDA	Rs. Cr.	18.81	15.51	12.44
PAT	Rs. Cr.	10.15	6.60	4.58
EBITDA Margin	(%)	7.87	8.13	7.49
PAT Margin	(%)	4.25	3.46	2.76
ROCE	(%)	19.59	14.55	19.62
Total Debt/Tangible Net Worth	Times	0.27	0.31	0.50
PBDIT/Interest	Times	12.32	8.40	6.27
Total Debt/PBDIT	Times	0.83	1.05	1.95
Gross Current Assets (Days)	Days	87	105	129

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Sep-2018	Cash Credit	Long Term	13.00*	ACUITE A- / Stable (Assigned)
	Standby Line of Credit	Long Term	1.00	ACUITE A- / Stable (Assigned)
	Term Loan	Long Term	0.91	ACUITE A- / Stable (Assigned)
	Term Loan	Long Term	0.29	ACUITE A- / Stable (Assigned)
	Term Loan	Long Term	4.27	ACUITE A- / Stable (Assigned)
	Letter of Credit	Short Term	20.00**	ACUITE A1 (Assigned)
	Proposed Bank Facility	Long Term	0.10	ACUITE A- / Stable (Assigned)

*EPC/PSC/FBD sublimit of Rs.2.00 crore.

**BG limit sublimit of Rs.3.00 crore.

*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 (Reaffirmed)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.46 (Revised from Rs.0.91 Cr.)	ACUITE A-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.04 (Revised from Rs.0.29 Cr.)	ACUITE A-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.20 (Revised from Rs.4.27 Cr.)	ACUITE A-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.83	ACUITE A-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.38	ACUITE A-/Stable (Assigned)
Proposed bank facilities	Not Applicable	Not Applicable	Not Applicable	7.94	ACUITE A-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00**	ACUITE A1 (Reaffirmed)
Proposed letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1 (Assigned)

*EPC/PSC/FBD sublimit of Rs.2.00 crore.

**BG limit sublimit of Rs.3.00 crore.

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About Acuite Ratings & Research:

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