

Press Release

RMG Polyvinyl India Limited

December 11, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.53.85 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable (Reaffirmed)
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 the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.53.85 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. 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

Acuite has considered the standalone business and financial risk profile of RPIL for arriving at 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 of the company have seen consistency year on year as reflected by the revenue of Rs. 263.27 crores in FY2020, Rs. 239.03 crores in FY2019 and Rs. 190.76 crores in FY2018 respectively marking a CAGR growth of around 11.25%. Additionally, the profitability of the company has also seen a surge in FY2020 rising to 10.56 per cent from 7.87 per cent in FY2019. Recently the company has tied up with Renolit (Germany) for the business of manufacturing Geo-Membrane films in India.

- **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.78.00 crore as on March 31, 2020. The net worth levels have seen significant improvement over the last three years through FY2020 on account of healthy accretion to reserves during the same period owing to healthy profitability levels (EBITDA) marked by the operating profit margin of 10.56 percent in FY2020 as against 7.87 percent in the previous year. 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 0.46 times and

1.01 times as on March 31, 2018 whereas, the current gearing and total outside liabilities to tangible net worth stands at 0.20 times and 0.62 times respectively as on 31st March 2020. RPIL's healthy cash accruals to the tune of about Rs.21.63 crore have supported in minimizing the reliance on external debt, leading to healthy gearing and debt levels as on March 31, 2020. RPIL's cash accruals over the next three years through 2021-23 are estimated to remain in the range of Rs.20.17 crore – Rs.27.60 crore, which are comfortable to service its repayment obligations of around Rs.1.98 crore to Rs.1.45 crore and to support its routine capex and incremental working capital requirements. The revenues of the company increased by around 10.14 per cent to Rs.263.27 crore during 2019-20, while its operating margins have also seen an improvement from 8.30 percent in FY2018 to 10.56 per cent in FY2020. The healthy profitability levels, coupled with low debt levels, have led to healthy debt protection measures. The NCA/TD and interest coverage ratio for FY2020 were healthy at 1.39 per cent and 11.63 times, respectively.

• **Efficient working capital management**

RPIL's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around 86 days for FY2020 as against 87 days in FY2019 and 92 days in FY2018 marking a good management of working capital. The company maintained inventory levels of around 51 days (amounting to Rs. 32.71 crores) in FY2020 as against 48 days in the previous year (~Rs. 28.86 crores). The debtor's collection period stood at 27 days as against 25 days in the previous year. Further, the creditor collection period stood at 40 days in FY2020 as against 33 days in the last year. As a result, the reliance on working capital limits is low, leading to low of its bank lines at an average of 6.69 per cent over the last six months through September 2020. 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 are directly affected by various macroeconomic factors. The fluctuation in the aforementioned raw material price may lead to consequent profitability of the company.

The exports of the company constituted around 12.98 per cent of the total revenues in FY2020 and 12.87 per cent of the total sales in FY2019 respectively whereas RPIL procured around 42 per cent of its raw materials from overseas in the last two years. 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. Further, the company has a hedging mechanism in the form of Rs. 2.50 crores forward contract limit.

Additionally, the revenues of the company are also dependent on the demand arising from infrastructure and real estate projects; the execution of which was heavily impacted by the impact of the Covid-19 pandemic.

Rating Sensitivity

- Deterioration in working capital management.
- Substantial improvement in profitability levels, thereby improving coverage indicators.

Liquidity Position: Strong

The company has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 21.63 crore for FY2020 while there were the maturing debt obligations amounting to Rs. 2.57 crore for the same period. The company's working capital operations have remained efficient marked by gross current asset (GCA) days of 86 days for FY2020 as against 87 for the last year. The company maintains unencumbered cash and bank balances of Rs. 0.81 crore as on 31 March 2020. The current ratio stands at 2.14 times as on 31 March 2020. Further, the bank limit utilization of the company for the last 6 months ending on Sep 2020 stood around 6.69% on an average.

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’s generates lower-than-anticipated cash accruals, thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	263.27	239.03
PAT	Rs. Cr.	15.84	10.15
PAT Margin	(%)	6.01	4.25
Total Debt/Tangible Net Worth	Times	0.20	0.27
PBDIT/Interest	Times	11.63	12.32

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

Not Applicable

Material Covenants

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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)
	Cash Credit	Long Term	13.00**	ACUITE A- / Stable (Reaffirmed)
	Standby Line of Credit	Long Term	1.00	ACUITE A- / Stable (Reaffirmed)
	Term Loan	Long Term	0.46	ACUITE A- / Stable

16-Sep-2019			(Revised from Rs.0.91 Cr.)	(Reaffirmed)
	Term Loan	Long Term	0.04 (Revised from Rs.0.29 Cr.)	ACUITE A- / Stable (Reaffirmed)
	Term Loan	Long Term	1.20 (Revised from Rs.4.27 Cr.)	ACUITE A- / Stable (Reaffirmed)
	Term Loan	Long Term	4.83	ACUITE A- / Stable (Assigned)
	Term Loan	Long Term	0.38	ACUITE A- / Stable (Assigned)
	Proposed bank facilities	Long Term	7.94	ACUITE A- / Stable (Assigned)
	Letter of Credit	Short Term	20.00**	ACUITE A1 (Reaffirmed)
	Proposed letter of credit	Short Term	5.00	ACUITE A1 (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 Available	Not Available	Not Available	0.46	ACUITE A-/Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	0.04	ACUITE A-/Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	1.20	ACUITE A-/Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	4.83	ACUITE A-/Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	0.38	ACUITE A-/Stable (Reaffirmed)
Proposed bank facilities	Not Applicable	Not Applicable	Not Applicable	7.94	ACUITE A-/Stable (Reaffirmed)
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 (Reaffirmed)

*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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