

Press Release

RMG Polyvinyl India Limited

January 25, 2022



Rating Reaffirmed, Upgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.00	ACUITE A Stable Upgraded	-
Bank Loan Ratings	3.08	ACUITE A Upgraded & Withdrawn	-
Bank Loan Ratings	29.85	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	53.85	-	-
Total Withdrawn Quantum (Rs. Cr)	3.08	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE A**' (read as **ACUITE A**) from '**ACUITE A-**' (read as **ACUITE A minus**) and reaffirmed the short term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.53.85 Cr. bank facilities of RMG Polyvinyl India Limited (RPIL). The outlook is '**Stable**'.

Further, Acuite has upgraded & withdrawn the long term rating of '**ACUITE A**' (read as **ACUITE A**) from '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.3.08 Cr. bank facilities of RMG Polyvinyl India Limited (RPIL). The rating has been withdrawn on account of request received from the client and NOC received from the banker as per Acuite withdrawal policy.

Reason for rating upgrade

The rating upgrade is on account of healthy growth in revenues in the current year and improving profitability margins as a result of higher revenues leading to better absorption of fixed costs. The rating continues to factors in the established and long track record of operations of the company with extensive experience of the promoters in the PVC industry and strong long term relationships with its customers and suppliers, healthy financial risk profile, efficient working capital management and strong liquidity position of the company. However, these strengths are partly offset by susceptibility of margins due to raw material fluctuations and foreign currency fluctuation risks.

RPIL after witnessing a 3 percent YoY decline in revenues for FY21 due to the onset second wave of covid-19, the company witnessed significant improvement in sales during 10MFY22 reflected by revenues of Rs.249.43 Cr. owing to healthy pickup in demand after gradual resumption in economic activities. Furthermore, the company has recently incurred capex of Rs.15.00 Cr. in Q3FY22 in order to increase the capacity of its manufacturing plant from current capacity of 45,000 MT per annum to 50,000 MT per annum going forward.

About the Company

Uttar Pradesh-based, RMG Polyvinyl India Limited (RPIL) 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 currently headed by Mr. Arvind Goenka. The company generates its revenues by selling its products both in the domestic market as well as exports to countries such as Bangladesh, New Zealand and Italy to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations with experienced management and enhancement in existing manufacturing facility

RPIL is based out of Uttar Pradesh and was incorporated in the year 1998 reflecting an established track record of operations for more than two decades. The company is promoted by Mr. Arvind Goenka who have been engaged in the PVC industry for more than three decades through various other entities as well including Premier Polyplast, Motley Securities Private Limited and The Plastics Export Promotion Council to name a few.

The operations of the company are managed by the promoters as well as well experienced senior management team who are ably supported by a strong line of mid-level managers. The extensive experience of the promoters has helped the company to established long and healthy relationships with its customers and suppliers over the years. 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.

The company currently has one manufacturing facility located in Sikandrabad, India with a current installed capacity of producing 45,000 MT per annum. During Q3FY22, the company incurred capex of Rs.15.00 Cr. to increase the existing capacity of the facility which was funded by both through bank lines and internal accruals of the company. After installation final testing of all the new machineries which is likely to be completed in Jan' 2022, the capacity of the facility will increase by 5,000 MT to 50,000 MT per annum. The increase in capacity is expected to further strengthen the business operations of the company over the medium term.

Acuité believes that the company will sustain its existing business profile over the medium term on the back of an established track record of operations with an experienced management followed by increase in capacity of the manufacturing facility.

Improving probability despite marginal impact in revenues owing to Covid-19

The revenue of RPIL stood at Rs.255.73 Cr. in FY21 registering a marginal drop of ~3 percent YoY compared against Rs.263.27 Cr. in FY20. The decline in revenues majorly on account of decline covid-19 pandemic which restricted the movement of goods and people and impacted the demand of PVC products. The business operations of the company mostly impacted mostly during Q4FY21 due to the onset of second covid-19 wave.

However, after gradual resumption of economic activities from the second wave of covid-19,

the operations of RIPL witnessed significant recovery in the current year (FY22) as marked by revenues generated in 10MFY22 which stood at Rs.249.43 Cr.

Furthermore, the profitability of the company however witnessed a healthy improvement despite drop in revenues during FY21. The operating profit margin increased to 14.18 percent in FY21 as against 10.56 percent in FY20 majorly on account of decline in raw material costs. Subsequently, the PAT margin of the company also improved to 8.64 percent as against 6.01 percent during the same period.

Healthy financial risk profile

The financial risk profile of RIPL continued to remain healthy marked by tangible net worth of Rs.98.59 Cr. as on 31 March, 2021 as against Rs.78.00 Cr. as on 31 March, 2020. The improvement in net worth is attributable to higher accretion to reserves on account of consistent growth in profitability.

The gearing level of the company improved and stood low at 0.11 times as on 31 March, 2021 as against 0.20 times as on 31 March, 2020. The improvement was majorly on account of increase in net worth followed by reduction in total debt outstanding of the company. The total debt outstanding of Rs.11.11 Cr. consists of working capital borrowings of Rs.8.10 Cr. and term loan of Rs.3.01 Cr. as on 31 March, 2021.

The coverage ratios continued to remain healthy with improved Interest Coverage Ratio (ICR) of 18.12 times for FY21 against 11.63 times for FY20. The Debt Service Coverage Ratio (DSCR) also improved stood at 6.45 times for FY21 against 4.00 times for FY20. The total outside liabilities to tangible net worth (TOL/TNW) stood at 0.44 times as on March 31, 2021 against 0.62 times as on March 31, 2020. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 2.52 times for FY21 as against 1.39 times for FY20.

Acuité believes that the financial risk profile of the company is likely to remain healthy over the medium term on account of low gearing levels and healthy debt protection metrics.

Efficient working capital management

The working capital of the company are managed efficiently marked by low GCA days of 84 days for FY21 compared to 86 days for FY20. The company maintains low inventory levels around 44 days for FY21 as against 51 days for FY20. Subsequently, the debtor's collection period also stood low at 23 days for FY21 compared against 27 days for FY20. Furthermore, the creditor days stood at 36 days for FY21 as against 40 days for FY20. As a result of efficient working capital management, the reliance of working capital limits from bank lines of the company remained moderate reflected by average utilization of ~48 percent of its working capital limits in last six months ended Nov' 2021.

Acuité believes that the working capital management of the firm will continue to remain a key rating sensitivity going ahead.

Weaknesses

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

As RIPL is engaged into manufacturing of PVC products, the major raw material required to manufacture such products is PVC resin which is a derivative of crude oil and the prices of crude oil are directly affected by various macroeconomic factors. Similarly, the prices of PVC resins are also volatile in nature and such fluctuations in the major raw material price may impact the operating profit margin of the company.

Furthermore, the company also deals in exports to various countries across the globe which contributes around 14 per cent to the total revenues in FY21 and 12 per cent in FY20 respectively. Also, RIPL also imports its raw materials of around 31 per cent in FY21 and 42 per

cent in FY20 from overseas market. As a result, the company's business is exposed to fluctuations in foreign exchange rates 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. Furthermore, RIPL also has a hedging mechanism in the form of Rs.2.02 crores forward contract limit from its lenders.

Rating Sensitivities

- Significant improvement in scale of operations while maintaining profitability margins
- Stretch in the working capital cycle leading to an increase in reliance on working capital borrowings and stretched liquidity position

Material covenants

None

Liquidity Position: Strong

RIPL has strong liquidity position marked by healthy net cash accruals against maturing debt obligations. The company generated cash accruals of Rs.28.02 Cr. in FY21 compared against maturing debt obligations of Rs.1.51 Cr. over the same period. The cash accruals of the company are estimated to remain around Rs.37-47 Cr. during 2022-24 period while its matured debt obligations is estimated to be in the range of 1.37 – 1.92 Cr. during the same period. The company reliance on working capital borrowings is moderate marked by average utilization of working capital limits of ~48 percent during the last six months period ended Nov' 2021. The low reliance of working capital borrowings is majorly on account of efficient working capital management marked by low GCA days of 84 days for FY21. Furthermore, the company maintains unencumbered cash and bank balances of Rs.1.22 Cr. as on March 31, 2021 and the current ratio also stood healthy at 2.39 times as on March 31, 2021. Acuite believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accruals and the matured debt repayments over the medium term.

Outlook: Stable

Acuite believes that RIPL 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	255.73	263.27
PAT	Rs. Cr.	22.09	15.84
PAT Margin	(%)	8.64	6.01
Total Debt/Tangible Net Worth	Times	0.11	0.20
PBDIT/Interest	Times	18.12	11.63

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Dec 2020	Term Loan	Long Term	0.46	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	0.04	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	1.20	ACUITE A- Stable (Reaffirmed)
	Proposed Letter of Credit	Short Term	5.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	7.94	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	4.83	ACUITE A- Stable (Reaffirmed)
	Standby Line of Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	0.38	ACUITE A- Stable (Reaffirmed)
16 Sep 2019	Term Loan	Long Term	0.04	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	0.46	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1 (Reaffirmed)
	Standby Line of Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Proposed Letter of Credit	Short Term	5.00	ACUITE A1 (Assigned)
	Term Loan	Long Term	4.83	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	0.38	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.20	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	7.94	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	13.00	ACUITE A- Stable (Reaffirmed)
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)
		Long		ACUITE A- Stable

	Proposed Bank Facility	Term	0.10	(Assigned)
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CC limits has EPC/ FBD as sublimit of Rs.2.00 crore.

LC limit has BG limit as sublimit of Rs.3.00 crore.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A Stable Upgraded (from ACUITE A-)
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A1 Reaffirmed
Not Applicable	Not Applicable	Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.85	ACUITE A1 Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A Upgraded & Withdrawn (from ACUITE A-)
State Bank of India	Not Applicable	Term Loan	01-11-2019	7.90	01-03-2025	1.00	ACUITE A Stable Upgraded (from ACUITE A-)
State Bank of India	Not Applicable	Term Loan	01-04-2021	7.60	01-12-2027	10.00	ACUITE A Stable Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.46	ACUITE A Upgraded & Withdrawn (from ACUITE A-)
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.04	ACUITE A Upgraded & Withdrawn (from ACUITE A-)
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.20	ACUITE A Upgraded & Withdrawn (from ACUITE A-)
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.38	ACUITE A Upgraded & Withdrawn (from ACUITE A-)

CC limits has EPC/ FBD as sublimit of Rs.2.00 crore.

LC limit has BG limit as sublimit of Rs.3.00 crore.

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About Acuité Ratings & Research

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