

## Press Release

### RMG Polyvinyl India Limited

February 01, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.75	ACUITE A   Stable   Assigned	-
Bank Loan Ratings	23.85	ACUITE A   Stable   Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A1   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	58.60	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating at '**ACUITE A**' (read as **ACUITE A**) and the short term rating at '**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**'.

Acuite has assigned the long-term rating at '**ACUITE A**' (read as **ACUITE A**) on the Rs.4.75 Cr. bank facilities of RMG Polyvinyl India Limited (RPIL). The outlook is '**Stable**'.

### Rationale for reaffirmation

Reaffirmation of rating takes into account the established track record of operations, healthy financial risk profile and comfortable working capital management. Company has seen improvement in scale of operations wherein operating income stood at Rs. 352.94 Cr in FY 2022 (Audited) registering growth of 38.01% over FY 2021 (Audited) wherein operating income stood at Rs. 255.73 Cr. However, company has witnessed decline in profitability due increase in raw material prices which has led to slight moderation in debt protection metrics.

### 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

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

## Key Rating Drivers

### Strengths

#### **Established track record of operations with experienced management**

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. 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 50,000 MT per annum. 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.

#### **Healthy financial risk profile**

Company has healthy financial risk profile marked by tangible net worth of Rs.126.49 crore as on 31 March, 2022 as against Rs.98.59 crore as on 31 March, 2021. The improvement in net worth is attributable to higher accretion to reserves on account of consistent growth in profitability. Total debt of Rs. 27.40 Cr in FY 2022 consists of Rs. 6.48 Cr of term loan, Rs. 18.07 Cr of working capital borrowings and Rs. 2.85 Cr of CPLTD. Debt to Equity (Gearing) moderated to 0.22 times in FY 2022 as against 0.11 times in FY 2021 due to increase in debt levels. Interest coverage ratio improved and remained strong at 22.68 times in FY 2022 as against 18.12 times in FY 2021 while DSCR improved to 10.40 times from 6.45 times in FY 2021. NCA/TD moderated but remained strong at 1.33 times in FY 2022 as against 2.52 times in FY 2021.

#### **Efficient working capital management**

The working capital of the company are managed efficiently marked by low GCA days of 89 days for FY 2022 compared to 84 days for FY 2021. Inventory days increased from 44 days in FY 2021 to 54 days in FY 2022. Debtors days stood at 22 days in FY 2022 as against 23 days in FY 2021. Creditor days increased to 39 days in FY 2022 as against 36 days in FY 2021. Average bank limit utilization remained moderate at 67.83% for the 10 months' period between February 2022 to November 2022.

### Weaknesses

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

As RPIL 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.

### 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

Company has strong liquidity position marked by healthy net cash accruals against maturing debt obligations. The company generated cash accruals of Rs.36.34 crore in FY 2022 compared against maturing debt obligations of Rs.1.51 crore over the same period. Going forward company is expected to generate NCA of Rs. 39.58 Cr and Rs. 42.41 Cr in FY 2023 and 2024 respectively against maturing debt obligation of Rs. 2.85 Cr in each year's respectively.

Company in FY 2022 has unencumbered term deposits of Rs. 38.45 Cr and mutual fund investments of Rs. 17.58 Cr. Company had unencumbered cash and bank position of Rs. 6.98 Cr in FY 2022.

## 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.

## Other Factors affecting Rating

None.

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	352.94	255.73
PAT	Rs. Cr.	30.41	22.09
PAT Margin	(%)	8.62	8.64
Total Debt/Tangible Net Worth	Times	0.22	0.11
PBDIT/Interest	Times	22.68	18.12

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

None

## Any other information

None.

## 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Jan 2022	Term Loan	Long Term	0.38	ACUITE A (Withdrawn)
	Term Loan	Long Term	10.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Letter of Credit	Short Term	24.00	ACUITE A1 (Reaffirmed)
	Proposed Letter of Credit	Short Term	5.85	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	0.04	ACUITE A (Withdrawn)
	Term Loan	Long Term	0.46	ACUITE A (Withdrawn)
	Term Loan	Long Term	1.20	ACUITE A (Withdrawn)
	Cash Credit	Long Term	13.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Standby Line of Credit	Long Term	1.00	ACUITE A (Withdrawn)
	Term Loan	Long Term	1.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A   Stable   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A1   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	5.25	ACUITE A   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	4.75	ACUITE A   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	01 Apr 2021	7.60	01 Dec 2027	Simple	3.60	ACUITE A   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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