



Press Release
RMG Polyvinyl India Limited
October 06, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	18.60	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	40.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	96.60	-	-

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.58.60 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.38.00 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. 397.57 Cr in FY 2023 (Audited) registering growth of 12.65% over FY 2022 (Audited) wherein operating income stood at Rs. 352.94 Cr. However, company has witnessed decline in profitability due increase in raw material prices which has led to slight moderation in debt protection metrics. The company's profitability is linked to the volatility in raw material prices as can be seen from the past trends. The company has strong competition from other players in the industry. The company is going for a CAPEX of Rs. 40 Cr. in FY24 and the timely implementation and stabilization of the production remains a key monitorable.

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 RPIL 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 55,000 MT per annum and is setting up a new plant in Tamil Nadu with total capital outlay of Rs. 40 Cr. 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.145.62 crore as on 31 March, 2023 as against Rs. 126.49 crore as on 31 March, 2022. The improvement in net worth is attributable to accretion of profit to reserves. Total debt of the company has reduced from Rs. 27.40 Cr as on 31st March 2022 to Rs. 13.78 Cr. which consists of Rs. 11.00 Cr of working capital borrowings and Rs. 2.78 Cr of CPLTD. Debt to Equity (Gearing) improved to 0.09 times as on 31st March 2023 as against 0.22 times on 31st March 2022 due to decrease in debt levels on account of repayment of LTD and lower utilization of working capital limits. Interest coverage ratio though declined from 22.68 times in FY 2022 it remained strong at 18.53 times in FY23. Likewise DSCR also declined from 10.40 times in FY 2022 however it remained strong at 6.38 times in FY 2023. NCA/TD improved and remained strong at 2.15 times in FY 2023 as against 1.33 times in FY 2022.

Efficient working capital management

The working capital of the company are managed efficiently and improved marked by low GCA days of 74 days as on 31st March 2023 compared to 86 days as on 31st March 2022. Inventory days improved from 54 days as on 31st March 2022 to 49 days as on 31st March 2023. Debtors days stood at 17 days as on 31st March 2023 as against 22 days on 31st March 2022. Creditor days improved to 38 days as on 31st March 2023 as against 39 days on 31st March 2022. Average fund based bank limit utilization remained moderate at 49.34% and non-fund based bank limit utilization also remained moderate at 77.91% for the 17 months' period ending August 2023.

Weaknesses

Susceptibility of margins to raw material price fluctuation

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 in future. High volatility in crude prices in past two fiscal was on account of pandemic and later due to Russia Ukraine war hence the margins saw sharp dip. Due to the aforesaid factor the company's profitability saw dip in FY 2023. EBITDA margin declined from 12.91% in FY 2022 to 8.45% in FY 2023. The moderation is a result of increase in raw material cost and decrease in realization. PAT margin declined from 8.62% in FY 2022 to 5.60% in FY 2023.

Competition from other organized and unorganised players

The company is facing strong competition from organized players as well as the unorganized players in the industry. Further, the company has competition from imported products traded in the country.

Rating Sensitivities

- Significant improvement in scale of operations
- Improvement in profitability position of the company
- Any Stretch in the working capital cycle leading to stretched liquidity position.
- Timely completion & commencement of production and satbility of production of the

All 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. 29.58 crore in FY 2023 compared against maturing debt obligations of Rs. 2.85 crore over the same period. Average fund based bank limit utilization remained moderate at 49.34% and non-fund based bank limit utilization also remained moderate at 77.91% for the 17 months' period ending August 2023 giving adequate legroom for growth capital in the form of unutilized bank limits. Further, the company has got enhancement of Rs. 5 Cr. in fund base facilities and 10 Cr. in NFB facilities providing addition legroom for growth capital. Further, company's debt equity position of 0.09 times in FY23 (Prov.) shows sufficient opportunity to manage funds for the capex without much compromising the comfortable capital structure of the company. Adding to the liquidity position of the company is unencumbered term deposits of Rs. 19.35 Cr., mutual fund investments of Rs. 17.97 Cr. and cash & bank of Rs. 0.92 Cr on 31st March 2023.

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 profile. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while maintaining comfortable capital structure. Conversely, the outlook may be revised to 'Negative', if company generates lower-than anticipated revenue, profitability and cash accruals thereby impacting its financial risk profile & liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	397.57	352.94
PAT	Rs. Cr.	22.28	30.41
PAT Margin	(%)	5.60	8.62
Total Debt/Tangible Net Worth	Times	0.09	0.22
PBDIT/Interest	Times	18.53	22.68

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Feb 2023	Proposed Bank Facility	Long Term	5.25	ACUITE A Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.75	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	3.60	ACUITE A Stable (Reaffirmed)
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	16.00	ACUITE A Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A Stable Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A1 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.15	ACUITE A Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.45	ACUITE A Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	29 Aug 2023	Not available	Not available	Simple	27.00	ACUITE A Stable Assigned
State Bank of India	Not Applicable	Term Loan	29 Aug 2023	Not available	Not available	Simple	7.00	ACUITE A Stable Assigned

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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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