



Press Release
Lila Polymers Private Limited
December 28, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	33.50	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	7.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	70.50	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	131.00	-	-

Rating Rationale

Acuite has assigned and reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating at '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.131.00 crore bank facilities of Lila Polymers Private Limited (LPPPL). The outlook is '**Stable**'.

Rationale for reaffirmation and assignment

The rating reaffirmation takes into account of the stable operating and financial performance of the company marked by stable operating income and moderated profitability margins. The operating income stood at Rs.542.17 Cr in FY2023 as against Rs.484.64 Cr in FY2022. The operating margin stood at 1.85 percent and PAT margin at 1.34 percent in FY2023.

Further, the rating also factors the moderate financial risk profile marked by debt to equity ratio of 1.09 times as on March 31, 2023 and Interest coverage ratio (ICR) of 4.11 times in FY2023. The rating also factors LPPL experienced management and long established relationship with its reputed suppliers including Dow chemicals, Du Pont, Sabic Asia and Supreme Petrochemicals.

However, the rating remains constrained due to susceptibility of profit margins due to volatility in raw material prices and fluctuations in foreign exchange rates further imparts negative bias to the rating.

About the Company

Incorporated in 2002, Lila Polymers Private Limited (LPPL) is a Mumbai-based international trading and local distribution house for polymers and petrochemical products. The CMD of the company, Mr. Jagdish Tanna has been engaged with the company since its inception and has an experience of more than three decades in the industry. The company is an exclusive distributor for Dow Chemical's International in western India and for Du Pont in Pan India. Further, the company is also a Del Credere agent and Consignment Stockiest for ONGC-OPAL. The company has a total of 15 rented warehouses across India.

Unsupported Rating

Not applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and experienced management

LPPL was incorporated in the year 2002. The key promoter of the company Mr. Jagdish Tanna has been associated with the company since its inception and has an experience of more than three decades in the aforementioned industry and is ably assisted by an experienced second line of management. LPPL is an exclusive distributor for Dow Chemical's International in western India and for Du Pont in Pan India, Sabic Asia in the western region and Supreme Petrochemicals. Further, the company is also a Del Credere agent and Consignment Stockiest for ONGC-OPAL.

The extensive experience of the promoter has helped the company to improve in its operating income. The revenue of the company improved from Rs.484.64 Cr to Rs.542.17 Cr in FY2023 with growth rate of 11.87 percent. However, the EBITDA margin is moderated to 1.85 percent in FY2023 as against 3.40 percent in FY2022 on the account of raw material price fluctuations and volatility in foreign exchange. The PAT margin stood at 1.34 percent in FY2023 in comparison to 2.55 per cent in FY2022. In the 6MFY2024, LPPL has reported Rs.285.06 Cr of the revenue and estimates to achieve turnover of Rs.575.00 -600.00 Cr in FY2024.

Moderate financial risk profile:

The financial risk profile of the company is moderate marked by moderate net worth, gearing ratios and above -average coverage indicators. The net worth of the company stood at Rs.44.95 Cr as on March 31, 2023 against Rs.37.80 Cr as on March 31, 2022. The aggregate debt of the company stood at 49.00 Cr as on March 31, 2023 against Rs.34.20 Cr as on March 31, 2022. The debt consists of short term debt of Rs.48.21 Cr, USL from directors of Rs.0.41 Cr and maturing portion of long term borrowings of Rs.0.38 Cr. The LPPL debt to equity ratio stood at 1.09 times as on March 31, 2023 as against 0.83 times as on March 31, 2022. Increase in debt and decrease in profitability margins resulted to deterioration of gearing ratio. The Debt/EBITDA stood at 3.68 times as on March 31, 2023 as against 1.67 times as on March 31, 2022. The Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 4.11 times and 2.74 times respectively in FY2023 as against 7.81 and 5.20 times respectively in the previous year.

Acuite believes the financial risk profile of LPPL will improve in the future medium term.

Efficient working capital management

The working capital of LPPL is efficient marked by comfortable Gross Current Assets (GCA) of 70 days as on March 31, 2023 compared to 66 days as on March 31, 2022 owing to stable debtors and inventory days. The debtor days stood stable at 37 days as on March 31, 2023 and 36 days as on March 31, 2022 and inventory days stood at 23 days as on March 31, 2023 as compared to 19 days as on March 31, 2022. The Bank Limit utilization for the fund & non fund based facilities of LPPL is moderately utilized at an average of nearly of 72.57% for the 12 months ending October 2023.

Acuite believes that the working capital operations of the LPPL will remain at the same levels as evident from efficient collection mechanism over the medium term

Weaknesses

Profit margins are susceptible to raw material price fluctuations and volatility in foreign exchange fluctuations

LPPL's raw materials constitute around 95 percent of its total cost, and the raw material prices are volatile in nature, given the linkages to crude prices. While LPPL obtains new orders basis the expected prices of the polyethylene granules, any substantial movement in the raw material prices could impact the operating margins. The company also majorly imports its requirement of polyethylene granules, and thus is susceptible to forex fluctuations as well. However, the forex fluctuation risk is mitigated by way of a forward cover to hedge the exposure in foreign currency.

Intense competition due to fragmented industry

LPPL operates in an industry which is exposed to intense competition from organized and

unorganized players due to fragmented nature of the industry and low entry barriers. Though, the risk is mitigated to some extent by way entering into long term agreements with suppliers (i.e. petrochemical companies) resulting into efficient bargaining power ensuring stability in margins and constant adequate supply of products.

Rating Sensitivities

- Stretch in the working capital cycle days leading to increased dependence on external borrowings thereby deterioration in the financial risk profile
- Maintaining operating margins while improving revenue.
- Inability to renew long term agreements with suppliers.

All Covenants

None

Liquidity Position: Adequate

The liquidity of the company is adequate marked by sufficient generation of net cash accruals in FY2023 to its maturing debt obligations. LPPL has generated cash accruals in the range of Rs.7.53 -12.54 Cr during last two years ending March 31, 2023 as against its long term debt obligations of Rs.0.69 Cr for the same period. Going forward the NCA is expected to be around Rs.7.99 -9.79 Cr. against nil CPLTD. Further, the cash and bank balances of the LPPL stood at Rs.8.75 Cr as on March 31, 2023. The current ratio is average and stood at 1.34 times as on March 31, 2023.

Outlook: Stable

Acuité believes that LPPL would maintain 'Stable' outlook on the back of experienced management with long track record of operations and improvement in operating margin led by improved product mix. The outlook may be revised to 'Positive' in case the company reports better than expected growth in revenue while maintaining operating margins. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than expected revenue growth and operating margins, thereby adversely impacting LPPL's financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	542.17	484.64
PAT	Rs. Cr.	7.28	12.36
PAT Margin	(%)	1.34	2.55
Total Debt/Tangible Net Worth	Times	1.09	0.83
PBDIT/Interest	Times	4.11	7.81

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.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, Acuité 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
04 Oct 2022	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Channel Financing	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	10.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
15 Jul 2021	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Negative)
	Channel Financing	Long Term	13.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Negative)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Negative)
	Letter of Credit	Short Term	4.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	16.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee	Short Term	7.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Facility	Short Term	8.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	26.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Facility	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	10.50	ACUITE BBB Stable (Upgraded from ACUITE BBB- Negative)
16 Jul	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Channel Financing	Long Term	18.00	ACUITE BBB- Negative (Assigned)
	Letter of Credit	Short Term	16.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- Negative (Reaffirmed)
		Short		

2020	Letter of Credit	Term	26.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- Negative (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BBB- Negative (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A3+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.50	ACUITE BBB Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB Stable Reaffirmed
DBS Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB Stable Reaffirmed
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB Stable Assigned
State Bank of India	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3+ Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3+ Reaffirmed
Yes Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.50	ACUITE A3+ Reaffirmed
DBS Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3+ Reaffirmed
DBS Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A3+ Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A3+ 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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