



Press Release
LILA POLYMERS PRIVATE LIMITED
March 19, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	54.50	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	76.50	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	134.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Ba**) 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**’.

Acuite has assigned the long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple B**) on the Rs.3.00 crore bank facilities of Lila Polymers Private Limited (LPPPL). The outlook is ‘**Stable**’.

Rationale for rating reaffirmation

The rating reaffirmation factors in moderation in operating performance. The rating draws comfort from experienced management and long-established relationship with its reputed suppliers including Dow chemicals, Du Pont, Sabic Asia and Supreme Petrochemicals, improvement in profitability despite moderation in scale of operations. The rating also draws comfort from moderate financial risk profile, efficient working capital management and adequate liquidity of the company. The rating is however constrained by susceptibility of profit margins due to volatility in material prices, fluctuations in foreign exchange rates and intense competition in fragmented industry.

About the Company

Incorporated in 2002, Lila Polymers Private Limited (LPPPL) is a Mumbai-based company engaged into the business of international trading and as a local distribution house for polymers and petrochemical products. Director, 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 Chemicals, Du Pont, Dow wire and cable grades, Supreme petrochemicals in Pan India. The company has a total of 15 rented warehouses i.e. 5 at Bhiwandi, 1 at Daman, 2 at Mundra, 1 at Baroda, 1 at Chennai, 1 Gurugram, 1 at Hazira, 1 at Ahmedabad and 2 at Navasheva. It has also established global office in Singapore in the month of Feb 2023. Locations are in Mumbai - Head office, Baroda -Gujarat office, Daman (Branch) and Delhi (Stock point). Further, the company is also a Del Credere agent (DCA) and consignment stockiest agent (CSA) for ONGC-Petro Additions Limited (OPAL).

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of Lila Polymers Private Limited (LPPL) to arrive at the rating.

Key Rating Drivers

Strengths

Moderation in revenues and profitability

LPPL has achieved the revenue of Rs 505.61 Cr. in FY24 as against Rs 544.93 Cr. in FY23 resulting into the decline in scale of operations by ~7.22 percent due to lower realisations. The company has achieved revenue of Rs 350.85 Cr. for 9MFY25 and expected to close at Rs 475.00 Cr. in FY25. However, the EBITDA margins improved marginally which stood at 2.80 percent in FY24 as against 2.35 percent in FY23. The PAT margins stood at 1.44 percent in FY24 as against 1.34 percent in FY23. LPPL has one wholly owned subsidiary namely Lila Polymers Global Pte limited incorporated in February 2023 which is engaged into the similar line of business with the objective to cater international markets of polymers. Full-fledged operations of the company would start in coming fiscal year 2025-26 which likely to result in overall improvement in business risk profile and profitability margins. Acuité believes that the ability of the company to improve its scale of operations and profitability will be going to remain a key monitorable over the medium term.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, comfortable gearing and debt protection metrics. The net worth of the company stood at Rs 52.21 Cr. as on 31 March 2024 as against Rs 44.95 Cr. as on as on 31 March 2023 due to accretion of reserves. The total debt of the company as on 31 March 2024 stood at Rs.12.98 Cr. which consist of short-term borrowings of Rs 12.60 Cr. and unsecured loan from directors/shareholders of Rs 0.38 Cr. Company doesn't have any long-term debt.

Gearing of the company improved significantly and stood at 0.25 times as on 31 March 2024 as against 1.09 times as on 31 March 2023 on account of increase in net worth of the company and reduction in debt obligations. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) also improved and stood at 1.17 times as on 31 March 2024 as against 2.13 times as on 31 March 2023. The debt protection metrics of the company is dipped but stood comfortable which marked by Interest coverage ratio at 3.22 times as on 31 March 2024 as against 4.11 times as on 31 March 2023 on account of increase in finance cost in FY24. Net Cash Accruals/Total Debt (NCA/TD) improved which stood at 0.58 times as on March 31, 2024, as against 0.15 times as on March 31, 2023.

Acuité believes that the financial risk profile of the company will improve on account of steady net cash accruals owing to stable profitability margins along with no major debt funded capex plans.

Efficient working capital management

The working capital of LPPL are efficient marked by Gross Current Assets (GCA) of 55 days as on 31 March 2024 as against 69 days as on 31 March 2023 owing to stable receivables and inventory days. The debtors period improved to 29 days as on 31 March 2024 as against 37 days as on 31 March 2023 on the back of increase in local sales during the year. The inventory period also improved to 16 days as on 31 March 2024 as against 23 days as on March 31, 2023. The creditors period stood at same level i.e 35 days as on 31 March 2024 as against 32 days as on 31 March 2023. The bank limit utilization for the fund-based limit is 3.96 percent & non-fund-based facilities of LPPL is moderately utilized at an average of nearly 65.74 percent for the 10 months ending October 2024.

Acuité believes that the working capital operations of the LPPL will remain at the same levels as evident from efficient collection mechanism and low inventory holding over the medium term.

Weaknesses

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

LPPL's materials constitute around 95 percent of its total cost, and the 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 material prices could impact the operating margins. The company also majorly imports ~92 percent of 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 to an extent.

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

- Consistent improvement in scale of operation while sustaining profitability margin
- Deterioration in Working capital cycle
- Change in financial risk profile

Liquidity Position

Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.7.55 Cr. as on March 31, 2024 as against nil long term debt repayment over the same period. The current ratio of the company stood at 1.27 times as on March 31, 2024 as against 1.11 times as on March 31, 2023. The bank limit utilization for the fund based limit is 3.96 percent & non fund-based facilities of LPPL is moderately utilized at an average of nearly 65.74 percent for the 10 months ending October 2024. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate net cash accruals as against nil long term debt repayments over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	505.61	544.93
PAT	Rs. Cr.	7.26	7.28
PAT Margin	(%)	1.44	1.34
Total Debt/Tangible Net Worth	Times	0.25	1.09
PBDIT/Interest	Times	3.22	4.11

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

Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
28 Dec 2023	Letter of Credit	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	11.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	7.00	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	7.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB Stable (Reaffirmed)
	Channel/Dealer/Vendor Financing	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Assigned)
04 Oct 2022	Letter of Credit	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	9.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	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 (Reaffirmed)
	Channel/Dealer/Vendor Financing	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE A3+ Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.50	Simple	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE BBB Stable Reaffirmed
DBS Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE BBB Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BBB Stable Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3+ Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.00	Simple	ACUITE A3+ Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.50	Simple	ACUITE A3+ Reaffirmed
DBS Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	27.00	Simple	ACUITE A3+ Reaffirmed

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