

Press Release

Resol Vinyls And Chlorides Limited (Erstwhile Salasar Impex Limite

April 12, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	95.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	110.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A Three Plus**) on the Rs. 110.00 Cr bank facilities of Resol Vinyls and Chlorides Limited (Erstwhile Salasar Impex Limited). The outlook is '**Stable**'.

About the Company

Resol Vinyls and Chlorides Limited (Erstwhile Salasar Impex Limited) was incorporated on July 2005 by Mr. Krishan Kumar Bansal located at New Delhi. Currently the company is being managed by Mr. Krishan Kumar Bansal, Mr. Parth Dodeja and Mr. Vijay Rawal. It is involved in wholesale trading of Polymers and resins. Company procures products like PVC RESIN, PU, EVA, LLDPE, LDPE, DOP, DINP, Melamine, Phthalic Anhydride etc. & other polymers products from international markets i.e. Taiwan, South Korea, China, Japan, Singapore, Malaysia, Hong Kong, Dubai, Thailand etc. These products are mainly used in industries like footwear, PVC pipe & fittings, PVC doors & windows, PVC flooring, artificial leather, PVC flex, plastic toys and much similar type of products.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Resol Vinyls and Chlorides Limited (Erstwhile Salasar Impex Limited) to arrive at this rating.

Key Rating Drivers

Strengths

Experienced Management

The promoters of the company have been in the polymers trading business since a long time and have more than a decade of experience in the industry. The management has gained valuable experience since the inception of the company and has developed strong relationships with customers and suppliers. This has enable them to navigate the market and helped grow the company to the scale it is presently operating at. Going forward the

company will benefit from the relationships fostered by the management and would be able to grow on a sustainable basis.

Improvement in profitability

For FY 2019 the EBITDA margin stood at 1.72% while PAT margin stood at 0.66%. Since then the company has strived to lower the share of domestic purchases and as a result the EBITDA margin since FY 2020 has improved from 1.81% to 2.26% in FY 2021 and have achieved EBITDA margin of 2.37% in the current year up till February 2022. Similarly PAT margin has improved from 0.69% in FY 2020 to 0.90% in FY 2021 and has reached 1.02% as on February 2022. The company is striving to increase the share of import in purchases and has applied for enhancement in non-fund based facilities hence going forward the team believes that the company would be able to grow their revenue and profitability going forward once the enhancement of facilities materialize.

Healthy Financial Risk Profile

Company has a healthy financial risk profile marked by comfortable net worth, low gearing and strong coverage indicators. The net worth of the company in FY 2021 stood at Rs. 46.11 Cr which consisted of Rs. 20 Cr of quasi equity. This Rs. 20 Cr of quasi equity is the unsecured loan given by Hallmark Vintrade LLP which is a holding company of one of the directors and the company has given corporate guarantee for the loans in banks. Debt to Equity ratio has improved in FY 2021 to 0.19 times from 0.41 times in FY 2020 due to decrease in total debt. The total debt of Rs. 8.59 Cr consists of Rs. 0.43 Cr of long term debt which is vehicle loans, Rs. 0.86 Cr of unsecured loans, Rs. 7.10 Cr of short term debt and Rs. 0.20 Cr of CPLTD. The interest coverage ratio has moderated from 2.36 times in FY 2020 to 2.33 times in FY 2021. TOL/TNW has moderated to 1.06 times in FY 2021 due to increase in outside liabilities driven by increase in payables for good and advance from customers. Further the company has generated Net Cash Accruals of Rs. 2.23 Cr in FY 2021.

Weaknesses

Working Capital Management

Working capital cycle of the company has condensed in FY 2021 but remains at elevated levels. GCA days for the company stood at 146 in FY 2021 as compared to 164 in FY 2020. The company normally maintains inventory up to 25-30 days. In FY 2020 the inventory period stood at 43 days due to disruptions as a result of covid related restrictions. Inventory levels dropped to 20 days in FY 2021 and is expected to remain between 25-35 days going forward. The company has given credit period of 90 days to all its customers and hence the debtor levels stood at 83 days in FY 2021. In FY 2019 since there was increased demand and so the debtor collection period stood at 42 days. Going forward the debtor period is expected to stay between 80-90 days.

Customer and Supplier Concentration Risk

For the last 2 years top 10 customers have accounted for more than 60% of revenue while top 10 suppliers from import destinations have accounted for more than 80% of purchases. This presents a serious concentration risk on account of customer and supplier and hence the company needs to diversify the customer and supplier portfolio to hedge the concentration risk.

Rating Sensitivities

- Increase in material cost.
- Elongation of working capital cycle.

Material covenants

None.

Liquidity Position Adequate

Company has adequate liquidity position. The company generated cash accruals of Rs. 2.23 Cr against CPLTD of Rs. 0.20 Cr in FY 2021. Going forward the company is expected to

generate NCA of Rs. 2.74 Cr in FY 2022 and Rs. 3.83 Cr in FY 2023 against CPLTD of Rs. 0.25 Cr and Rs. 0.30 Cr in respective years. The current ratio for the company stood at 1.90 times and the cash and bank balance of the company stood at Rs. 7.87 Cr for FY 2021. The investment of Rs. 5.41 Cr in FY 2021 is entirely lien marked as margin money for LC facility.

Outlook: Stable

Acuité believes that SIL will maintain a 'Stable' outlook over the medium term on the back of improving revenue profile and comfortable working capital operations. The outlook may be revised to 'Positive' in case the company registers higher-than expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or elongation in working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	213.53	162.29
PAT	Rs. Cr.	1.92	1.13
PAT Margin	(%)	0.90	0.69
Total Debt/Tangible Net Worth	Times	0.19	0.41
PBDIT/Interest	Times	2.33	2.36

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>
- Trading Entity: <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

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

Rating History:

Not Applicable

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	3.00	ACUITE BBB- Stable Assigned
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3+ Assigned

Standard Chartered Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3+ Assigned
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A3+ Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A3+ Assigned

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About Acuité Ratings & Research

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