



Press Release
Resol Vinyls And Chlorides Limited (Erstwhile Salasar Impex Limite
May 30, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	106.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	110.00	-	-

Rating Rationale

Acuite has reaffirmed 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**'.

Rationale for the rating

Acuite takes into account the experience of the promoters of the company, who have been in the polymer trading business for a long time and have more than a decade of experience in the industry. The operating income of the company has improved in FY 2023, as per the provisional financials, showing a positive trend. The financial risk profile of the company has been adequately maintained with a comfortable net worth, low gearing, and moderate coverage indicators. However, in spite of the increase in revenue, the margins have declined when compared to earlier years, impacting the profitability of the company.

About the Company

Resol Vinyls and Chlorides Limited (Erstwhile Salasar Impex Limited) was incorporated on July 5, 2005, by Mr. Krishan Kumar Bansal, located in New Delhi. Currently, the company is being managed by Mr. Krishan Kumar Bansal, Mr. Parth Dodeja, and Mr. Vijay Rawal. It is involved in the wholesale trading of polymers and resins. The company procures products like PVC resin, PU, EVA, LLDPE, LDPE, DOP, DINP, melamine, phthalic anhydride, etc. and other polymer 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 and fittings, PVC doors and windows, PVC flooring, artificial leather, PVC flex, plastic toys, and many other similar types 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 polymer trading business for 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 enabled 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 be able to grow on a sustainable basis.

Healthy financial risk profile

The 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 2023 (Prov.) stood at Rs. 53.59 crore, which consisted of Rs. 23.24 crore of quasi-equity. The debt-to-equity ratio has improved in FY 2023 (prov.) to 0.39 times from 0.60 times in FY 2022 due to a decrease in total debt. The interest coverage ratio has moderated from 2.74 times in FY 2022 to 2.26 times in FY 2023. TOL/TNW has been maintained at 0.95 times in FY 2023. Further, the company has generated net cash accruals of Rs. 2.55 crore in FY 2023.

Weaknesses

Decline in margins

The revenues for the company have improved in the financial year FY 23 (provisional). However, profitability margins have declined. For FY 2023, the EBITDA margin stood at 1.29% while the PAT margin stood at 0.63%, as compared to an EBITDA margin of 2.09% and a PAT margin of 0.94% in FY 22. The decline is primarily due to the rise in price of the product, which the company was not able to pass on to its customers.

Strong competition from unorganised players in the market

The market is highly competitive, which includes local and unorganised players in the same domain of business. This is leading to competitive pricing of the products that the company is dealing in and hence affecting the pricing of the same.

Price Volatility

The product that the company is dealing in, i.e., PVC resin, is highly volatile. The fluctuation in the price of the product is hampering the profitability margins of the company.

Rating Sensitivities

- Increase in material costs.
- Decline in margins.

Material covenants

None

Liquidity Position

Adequate

The company has an adequate liquidity position. The company generated cash accruals of Rs. 2.55 crore against a CPLTD of Rs. 0.07 crore in FY 2023. However, with the increase in revenues, the net cash accruals did not increase proportionately. The current ratio for the company stood at 2.33 times, and the cash and bank balance of the company stood at Rs. 7.42 crore for FY 2023 (prov). Short-term (less than 3 months) fixed deposits (out of the payment received from the buyers) are maintained by the company for the payment of LCs as and when they are due.

Outlook: Stable

Accutite believes that the company 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 margins 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 margins or in case of deterioration in the company's financial risk profile or an elongation in the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	378.91	198.32
PAT	Rs. Cr.	2.37	1.87
PAT Margin	(%)	0.63	0.94
Total Debt/Tangible Net Worth	Times	0.39	0.60
PBDIT/Interest	Times	2.26	2.74

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>
- Trading Entitie: <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, 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
12 Apr 2022	Proposed Letter of Credit	Short Term	24.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	16.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Proposed Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	59.00	ACUITE A3+ Reaffirmed
Standard Chartered Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE A3+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE A3+ Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Satyam . Analyst-Rating Operations Tel: 022-49294065 satyam.saxena@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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