

Radiant Polymers Private Limited

August 19, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Non-Convertible Debentures	75.00	CARE D (Single D)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)
Total Facilities	75.00 (Rupees seventy five crore only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the Non-Convertible Debentures of Radiant Polymers Private Limited factors in delay in servicing of interest obligation for August 2020 by the company attributable to its stretched liquidity position and business disruption caused by Covid-19 pandemic and absence of timely approval of moratorium by the debenture holder. The rating is further constrained by leveraged capital structure, weak financial risk profile, elongated working capital cycle and highly competitive and fragmented nature of industry. The rating however derives strength from experienced promoters, reputed clientele, diversified revenue streams in automotive segment & lighting.

Rating Sensitivities
Positive Factors:

- Improved liquidity supported by steady increase in scale of operations (above Rs.200 crore) and stable gross cash accruals of Rs. 2.50 crore on a sustained basis.
- Improvement in the PBILDT interest coverage ratio to more than 1.25x on a sustainable basis.

Detailed description of the key rating drivers
Key rating Weaknesses:

Stretched liquidity: Disrupted business operations owing to outbreak of Covid-19 pandemic and stretched receivables has further aggravated the liquidity woes of the company. The monthly interest payment on the Non-Convertible Debentures during the period April 2020 to July 2020 was met largely through available Debt Service Reserve Account (DSRA) in form of fixed deposits marked under lien by the lender. The company had requested for a moratorium of interest payment along with re-scheduling semi-annual principal repayment which are slated to commence from September 2020. However, in absence of timely approval of moratorium on NCD by the lender prior to the due date of interest payment has led to the default. The company reported cash loss of Rs.1.05 crore in FY19. The repayment due in FY21 (semi-annual) as per original sanction are to the tune of Rs.7.50 crore.

Moderate scale of operations with low operating profit: The total operating income of the company stood moderate at Rs. 199.00 cr in FY19 (refers to the period: April 01 to March 31) (Rs. 200.47 cr. In FY18) owing to the slowdown in the automobile sector, which is the major off-taker for the company. The PBILDT margin of the company has improved in FY19 however stood low at 4.67% (PY: 1.69%) on account of intense competition and fluctuating price of the major raw material. Net loss of the company for FY19 stood at Rs. 4.37 crore (PY: net loss of Rs. 5.64 cr). The losses incurred mainly because of huge interest cost.

Leveraged capital structure with moderate debt protection metrics: The capital structure of the company remained leveraged because of eroded net worth base and stood at negative Rs. 4.92 crore as on March 31, 2019, on account of continuous losses over the past few years. The company has refinanced all of its working capital facilities with NCD of Rs.75.00 crore. However the NCD is being raised at higher interest rate leading to higher interest outflow and lower interest coverage. Further, given the lower profitability and high repayment of Rs. 7.50 crore during FY21 and Rs. 15.00 crore in FY22, the long term solvency position appear weak.

Elongated working capital cycle: The business of RPPL is marked by large working capital requirements in view of its elongated inventory holding of Rs. 24.31 crore as on March 31, 2019 (Rs. 19.42 crore in FY18) as the company has to maintain adequate amount of inventory in line with the production schedules of the OEMs, also major part of raw material is imported from abroad and therefore lead time is also required to be taken in consideration while placing an order. However, the working capital requirement is partially backed by credit period availed from its supplier of about 76 days in FY19 (PY: 69 days).

Highly competitive and fragmented nature of the industry: The plastic components industry is highly fragmented with a large number of small to medium scale organized and unorganized players owing to low entry barriers with no visible differentiators

in product profile. High competition in the operating spectrum and moderate size of the company limits the scope for margin expansion.

Key rating Strengths:

Experienced promoters with long and satisfactory track record of operations: RPPL started its operation of manufacturing of plastic engineering moulded components in 1988. RPPL is jointly managed by Mr. Nalin Bahl and Mr. Kumud Jayee with both having experience of over three decades in the industry. Mr. Nitin Bahl an MBA from IIM Calcutta by qualification currently looks after the routine operations and holds the position of Chief Executive Officer. The promoters are well supported by a team of professionals for each department like procurement, production, marketing, finance and administration.

Diversified Revenue Streams in automotive segment and lighting: RPPL has diversified revenue streams with majority of their revenue coming from the plastic components manufactured for automotive segment. RPPL further has an established relationship with leading 4 wheeler and 2 wheeler players from which it has been getting repeat orders. RPPL has also ventured into lighting segment and is a supplier to major players such as Havells India Limited (rated CARE AAA; Stable/ CARE A1+) and Surya Roshni Limited (CARE A+; Stable/ CARE A1). The lighting segment has contributed 19.52% to the overall revenue of the company in FY19 (PY: 12.94%).

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'Outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios - Non-Financial Sector](#)

[Rating Methodology- Liquidity analysis of Non-financial Sector entities](#)

About the Company

Radiant Polymers Private Ltd (RPPL) was incorporated on August 05, 1988 by Mr. Nalin Bahl and Ms. Kumud Jayee. Both the promoters have over three decades of experience in the business of molded plastic components. RPPL has been engaged in manufacturing of plastic molded components and draws majority of revenue from automotive industry. RPPL is also engaged in the production of lighting components which majorly involves components for LED lamps.

The major product profiles include: Engine cooling products, automotive engineering products and gear shifting assemblies, pedals and engine transmission which is supplied directly to the OEMs. In addition, some sales are also made to Tier I auto ancillaries that further supply to other OEMs.

RPPL has five manufacturing facilities: 2 in Ghaziabad (Uttar Pradesh) and one each in Uttarakhand, Rajasthan and Gujarat. During FY19, RPPL has generated ~97% of its revenue from the domestic market and remaining ~3% from overseas. RPPL exports its products in the countries like Argentina, Dubai, Japan, China, etc.

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	200.47	199.00
PBILDT	3.38	9.29
PAT	-5.64	-4.37
Overall gearing (times)	NA	NA
Interest coverage (times)	0.44	0.82

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debenture	INE007Z07011, INE007Z07029	February 26, 2018	10.5%	March, 2024	75.00	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (31-Jul-18)	1)CARE B+; Stable (31-Jan-18) 2)CARE B; ISSUER NOT COOPERATING* (18-Apr-17)
2.	Non-fund-based – ST-Letter of credit	ST	-	-	-	-	1)Withdrawn (31-Jul-18)	1)CARE A4 (31-Jan-18) 2)CARE A4; ISSUER NOT COOPERATING* (18-Apr-17)
3.	Non-fund-based – ST-Bank Guarantees	ST	-	-	-	-	1)Withdrawn (31-Jul-18)	1)CARE A4 (31-Jan-18)
4.	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	-	1)Withdrawn (31-Jul-18)	1)CARE B+; Stable / CARE A4 (31-Jan-18) 2)CARE B / CARE A4; ISSUER NOT COOPERATING* (18-Apr-17)
5.	Debentures-Non Convertible Debentures	LT	75.00	CARE D	-	CARE B+; Stable (12-Dec-2019)	1)CARE B+; Stable (11-Mar-19)	1)CARE B+; Stable (31-Jan-18) 2)Provisional CARE B+; Stable (23-Jan-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – NA**Annexure 4: Complexity level of various instruments rated for this company**

Sr No	Name of instrument	Complexity level
1.	Non-Convertible Debenture	simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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