



Press Release

Responsive Industries Limited [RIL]

July 27, 2022

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating	Rating Action	Complexity Indicator
1	Long-Term/ Short-Term Fund based Working Capital Facility – FDBP/ FUDBP [Sub-limit - PCFC/ CC/ Direct Bills]	180.00	IVR A-/ Stable Outlook [IVR Single A minus with Stable Outlook]/ IVR A2+ [IVR A Two Plus]	Rating reaffirmed	Simple
2	Short-Term Non - Fund based – Inland/ Import LC [Sub-limit - Letter of Guarantee]	60.00	IVR A2+ [IVR A Two Plus]	Rating reaffirmed	Simple
	Total	240.00			

Details of facilities are in Annexure 1

Rating Rationale

The rating reaffirmed to the bank facilities of Responsive Industries Limited (RIL) continues to derive strength from experienced promoters, significant improvement in operating revenue with steady EBITDA Margin, well-diversified product portfolio & strong marketing network, reputed clientele, comfortable gearing ratio and comfortable debt protection metrics, and established market position with tremendous growth potential. The rating is however constrained by stretched operating cycle and susceptibility to volatility in forex rates and raw material prices.

Key Rating Sensitivities:

➤ **Upward Rating Factor:**

Substantial and sustained improvement in revenue & EBITDA margin while improving the debt protection metrics.

➤ **Downward Rating Factors:**

Any further decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.



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Any adverse impact on profitability due to volatility in forex rates and raw material prices or unfavourable sales mix

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters have extensive experience in the PVC (Poly Vinyl Chloride) flooring products and shipping ropes industry. It has been almost four decades for the Company being in PVC flooring business and Indian flooring market, which was dominated by mosaic or conventional materials like carpets. Now they are in the period of evolution. Over time, the industry has seen rapid pace of development in flooring industry and the preferences of flooring have migrated from hardwood to ceramic, then to laminate and now from laminate to resilient or vinyl flooring. Luxury Vinyl Tile (LVT) has sparked the industry and is expected to be the next biggest evolution in flooring.

Significant improvement in operating revenue with steady EBITDA Margin

The Group's revenues improved from INR ~533 Crore in FY20 to INR ~756 Crore in FY21 while the EBITDA margin deteriorated from 18.28% in FY20 to 16.87% in FY21. The Group's revenues increased further to INR~1106 Crore in FY22, however, due to raw material cost pressures along with increase in freight cost and power and fuel costs, the EBITDA margin took a beating and dropped to 10.16% in FY22. The raw material cost pressures along with increasing freight costs in FY22 are short term blips, according to the Management and the long-term sustainable EBITDA margin should be between 16% and 18%.

Well-diversified product portfolio & strong marketing network

The Company's main products include Vinyl Flooring, Synthetic Leather, Luxury Vinyl Tile (LVT), having 30+ product categories within. It has a wide distribution network and export its products world-wide over more than 70 countries. It caters to 25 end user industries, 100+ distributors pan-India, 300+ international distributors, 50 cities pan-India, 70+ countries worldwide with 30+ product categories.



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Reputed Clientele

The Company has renowned clients for different application in different sectors such as healthcare, hospitality, transportation, IT and telecom, retail, education, sports, infrastructure and real estate. The Company's marquee client base include Narayana Health, Wockhardt Hospitals, Seven Hills Hospitals (Healthcare), American School of Bombay, Escola Nacional de Bombeiros (Sintra, Portugal), Qatar University (Sports & Education), Indian Railways, BEST, Volvo, Scania (Transport), Taj Mahal Hotels, JW Marriott, Westin Hotels & Resorts, Pan Pacific Singapore, Chhatrapati Shivaji International Airport etc. (Hospitality), J.P. Morgan, One Plus (Corporates) to name a few.

Comfortable Gearing ratio and comfortable debt protection metrics

The Company had entirely repaid its outstanding ECB in FY19, subsequent to which the overall gearing ratio stood comfortable and improved from 0.23x as at FY18 to 0.11x as at FY19; and the Company became long-term debt free. The Company in FY21 availed a Rupee Term Loan facility of INR 31 Crore Term Loan under Union Guaranteed Emergency Credit Line [due to Covid], for a period of 5 years, which is expected to support its working capital requirement over the medium term. Still, the Overall Gearing ratio at Group level, stood comfortable at 0.16x as at FY20, 0.21x as at FY21, and 0.25x as at FY22.

The interest coverage ratio stood comfortable at 8.93 in FY19, 4.58x in FY20, 33.41x in FY21, and 6.29x in FY22. The DSCR stood at 1.55x in FY19, 5.46 in FY20, 29.88 in FY21, and 6.74 in FY22

Established market position with tremendous growth potential

Among the flooring products, Luxury Vinyl Tiles (LVT) is gaining prominence across the globe, due to its superior qualities. It is one of the largest Indian producer of PVC flooring and synthetic leather cloth and caters to healthcare, hospitality, transportation, retail, sports infrastructure and real estate. The Company is among the top four producers of vinyl flooring globally.



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Key Rating Weaknesses

Stretched Operating cycle

The Average Operating Cycle of the Group stood stretched but improved from 169 days as at FY20 to 115 days as at FY21, and 97 days as at FY22 due to improved collection period & inventory days along with creditors period. The Company has however been conservative in projecting the operating cycle for FY23-25 and the operating cycle is increasing to 122, 136 and 138 days in FY23, FY24 and FY25 respectively. This is primarily because of increase in collection period and inventory days.

Susceptible to volatility in forex rates and raw material prices

The cost of raw material used in manufacturing vinyl flooring components like PVC resin, plasticizers, glass fibre and other additives have high elasticity in terms of demand and supply factors. Such factors if increased or decreased, may affect the profit margin of the Company. However, the Company establishes clear terms with suppliers regarding raw material prices, determines which commodities need a dedicated strategy and accordingly implement a risk mitigation plan. It also tracks price changes and maintains raw material savings targets related to market prices.

The Company is exposed to currency risk as its clients are spread across all over the world, which might have favourable or adverse effect on the Company.

The unhedged foreign currency exposure as at 31-Mar-2022 was USD 6.79 Million.

Analytical Approach & Applicable Criteria:

➤ Consolidated

For arriving at the rating, Infomerics has taken consolidated approach for the purpose of analyzing the business and financial performance of the company. It has combined the business and financial risk profiles of RIL and its 100% wholly owned subsidiaries – Axiom Cordages Limited (India), Responsive Industries Limited (Hong Kong) and Responsive Industries Limited (Singapore), hereinafter referred to as the Responsive Group on account of common management, fungibility of cash flows between the entities and expected support in terms of promoter funding to operationalize the overseas units (into similar line of business).



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Extent of Consolidation – Full

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of Rating Outlook | Infomerics Ratings](#)

Liquidity: Adequate

The Group has been earning a comfortable level of GCA for the last few years and the same is expected to increase further with increase in scale of operations. The GCAs were and are sufficient to cover the loan repayments. The average utilization of working capital limits remained moderate at 89% during the 12 months ended March 31, 2022. The Current & Quick ratios have improved from 1.56 and 1.1 respectively in FY21 to 1.69 and 1.12 respectively in FY22. The Group has unencumbered cash and bank balance and investment in liquid mutual funds of INR 48.80 Crore as on 31 Mar 2022. On an overall basis, the liquidity position is thus Adequate. The Company has also applied for enhancement of WC limits with its existing banker to the tune of INR 75 Crore which will further improve liquidity position of the company. The enhancement proposal is likely to be sanctioned in 6 months' time.

About the Company

Responsive Industries Limited (RIL) was incorporated on 13th July, 1982. It is Public Limited Company - listed on NSE & BSE and domiciled in Mumbai. Responsive Industries Limited (RIL) is a leading manufacturer of PVC Products with three product verticals – Vinyl Flooring, Synthetic Leather & Luxury Vinyl Tile (LVT). It is the largest Indian producer of PVC flooring and synthetic leather cloth and caters to healthcare, hospitality, transportation, retail, sports infrastructure and real estate sectors. It is amongst top 4 producers of vinyl flooring globally. The Corporate office is situated at Colaba in Mumbai. It has a state-of-the-art factory and infrastructure set-up at Boisar in Palghar district in Thane, spread across 52-acre of land, having 15 manufacturing lines.

The Company has 1 Indian subsidiary - Axiom Cordages Limited, 2 wholly owned foreign subsidiaries - Responsive Industries Limited (Hong Kong) and Responsive Industries Private Limited (Singapore) and 4 foreign step-down subsidiaries - Axiom Cordages Limited (Hong Kong), Axiom Cordages Limited (UAE), Responsive Industries Limited (UAE) & Responsive



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Industries LLC (USA). Axiom Cordages Limited (UAE) and Responsive Industries Limited (UAE) have been dissolved in June 2022.

It has presence in shipping ropes business through its subsidiary Axiom Cordages Limited. Remaining overseas subsidiaries are in similar line of business as RIL.

Financials (Consolidated)

For the year ended / As on	INR in Crore	
	31-Mar-21 Audited	31-Mar-22 Audited
Total Operating Income	755.71	1106.01
EBITDA	127.50	112.35
PAT	24.41	0.10
Total Debt	198.11	235.55
Tangible Net Worth	935.62	936.87
EBIDTA Margin (%)	16.87	10.16
PAT Margin (%)	3.20	0.01
Overall Gearing ratio (x)	0.21	0.25

Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2022-23)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (May 07, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (Feb 19, 2020)
Fund based – FDBP/ FUDBP	Long Term/ Short Term	180.00	IVR A-/ Stable	IVR A-/ Stable	--	IVR A-/ Stable



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[Sub-limit - PCFC/ CC/ Direct Bills]			Outlook/ IVR A2+	Outlook/ IVR A2+		Outlook/ IVR A2+
Non-Fund based – Inland/ Import LC [Sub-limit - Letter of Guarantee]	Short Term	60.00	IVR A2+	IVR A2+	--	IVR A2+
	Total	240.00				

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (INR Crore)	Rating Assigned/ Outlook
Long Term/ Short Term Fund based – FDBP/ FUDBP [Sub-limit - PCFC/ CC/ Direct Bills]	--	--	--	180.00	IVR A-/ Stable Outlook/ IVR A2+
Short Term Non-Fund based – Inland/ Import LC [Sub-limit - Letter of Guarantee]	--	--	--	60.00	IVR A2+
Total				240.00	

Annexure 2: List of Subsidiaries considered for consolidation

Sr. No.	Name of Company	Relation	% of shares held as on 31-Mar-2022
1	Axiom Cordages Limited	Subsidiary	89.87%
2	Responsive Industries Limited (Hong Kong)	Subsidiary	100.00%
3	Responsive Industries Private Limited (Singapore)	Subsidiary	100.00%

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Lender-27-07-22-RIL.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com



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