Press Release

M/s. Canadian Speciality Vinyls

August 22, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	42.50	IVR BBB- /Stable [IVR Triple B Minus with a stable outlook]	-	Assigned	Simple
Short Term Bank Facilities	7.50	IVR A3 [IVR A Three]	-	Assigned	Simple
Total	**50.00**	**[Rs. Fifty Crore only]**			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the rating to the bank facilities for long term facilities to IVR BBB- with a Stable outlook and IVR A3 to the short-term facilities of M/s. Canadian Speciality Vinyls.

The rating draws comfort from experienced partners and management team. The rating further draws comfort from diversified customer profile that enables the firm to cater to different sectors, and comfortable profitability margins albeit moderate scale of operations. However, these rating strengths are partially offset by moderate capital structure and debt protection metrics coupled with working capital-intensive nature of operations and limited pricing power due to competitive industry with large number of players. There also exists an inherent risk of being a partnership concern such as risk of capital withdrawal.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that M/s. Canadian Speciality Vinyls will continue to benefit on account of stable outlook for PVC films and related products.

Infomerics Ratings has principally relied on the standalone provisional financial results of M/s. Canadian Speciality Vinyls up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in scale of operations and sustenance of operating margin, leading to higher cash accruals.
- Improvement in capital structure and debt protection metrics, specific credit metrics will be TOL/ATNW below unity on sustained basis.

Downward Factors

- Decline in scale of operations leading to dip in operating margin and lower cash accruals.
- Significant withdrawals or deterioration of capital structure and debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced partners and management team**

The firm is being managed by the partners who have more than two decades of experience in this industry, and the partners are also supported by a well-qualified professional team.

- **Diversified customer profile which enables the firm to cater to different sectors**

M/s. Canadian Speciality Vinyls has a diversified customer profile as the firm produces all kinds of PVC films that are used in different sectors, precisely used in industrial and commercial applications. The firm also has the widespread presence across India through its marketing team.

- **Comfortable profitability margins albeit moderate scale of operation**

The TOI of the firm has grown in the last 3 years ending March 31, 2023, however, the TOI of the firm moderated by 3.50% and stood at Rs. 150.09 crore as per the provisional figures for FY24 compared to Rs. 155.53 crore in FY23 on account of lower execution of orders. The profitability of the firm improved, marked by operating profit of Rs. 9.24 crore in FY24(P) compared to Rs. 7.21 crore in FY23. Further, the PAT of the firm moderated slightly and stood at Rs. 2.12 crore in FY24(P) compared to Rs. 2.23 crore in FY23. The EBITDA margin of the firm improved by 152 bps and stood at 6.16% in FY24(P) compared to 4.64% in FY23 on account of decline in the raw material consumption cost, which declined due to lower execution of orders. With improvement in EBITDA margin, the PAT margin of the firm remained almost same and stood at 1.41% in FY24(P) compared to 1.43% in FY23. The GCA of the firm stood at Rs. 3.12 crore in FY24(P), which moderated from Rs. 3.34 crore in FY23 on account of decrease in top line.

Key Rating Weaknesses

- **Moderate capital structure and debt protection metrics**

The capital structure of the firm stood moderate marked by overall gearing of 0.97x as on March 31, 2024(P), moderated from 0.94x as on March 31, 2023, on account of higher utilisation of working capital bank borrowings as on balance sheet date. The TOL/Adjusted TNW stood almost same at 1.49x as on March 31, 2024(P), which was 1.48x as on March 31, 2023. The debt protection metrics of the firm also stood moderate marked by ICR at 1.77x in FY24(P) as against 2.26x in FY23. DSCR also moderated and stood at 1.18x as on March 31, 2024(P), which moderated from 1.43x as on March 31, 2023. Total debt/GCA stood high as 14.55x in FY24 deteriorated from 12.77x in FY23 on account of increase in total debt along with decline in GCA during FY24.

- **Working capital intensive nature of operations coupled with limited pricing power due to competitive industry with large number of players**

The firm has elongated working capital cycle at 176 days in FY24 deteriorated from 142 days in FY23 on account of higher collection and inventory days. The collection and inventory period was of 103 days and 126 days respectively in FY24(P) as against 93 days and 95 days respectively in FY23. The average creditor days of 53 days in FY24 compared to 47 days in FY23. The firm operates in a highly fragmented industry which limits its pricing power. The profitability and margins can be impacted when input prices are volatile as high competition restricts the firm from passing on the hike in input prices to consumers.

- **Inherent risk of partnership concern**

Being a partnership concern, the firm is exposed to inherent risk of the partner's capital being withdrawn at any time or firm being dissolved upon the demise/retirement/ insolvency of/ among the partners. During FY24, the partners withdrew capital to the tune of Rs. 1.56 crore.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria on assigning rating outlook
Policy on Default Recognition and Post-Default Curing Period
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The firm's liquidity is comfortable marked by 76.13% average utilisation of fund-based limits during the past 12 months ended July 2024. Further, the firm expects sufficient cushion in cash accruals against its debt repayments. The firm is expecting GCA in the range of Rs. 4.26 crore- Rs.7.22 crore during FY25-27 against debt obligation of Rs. 0.55-0.55 crore during FY25-27. The firm has a Current Ratio of 1.53x as on March 31, 2024, compared to 1.59x as on March 31, 2023. The Working Capital Cycle of the firm stood at 176 days in FY24 which was 142 days in FY23 on account of increase in creditor days. The unencumbered cash and bank balance stood at Rs. 2.93 crore as on April 30, 2024.

About the Firm

Canadian Speciality Vinyls was constituted in 2007 as a partnership concern and is engaged in production of all kinds of calendared PVC films that are widely used in various industrial and commercial applications like banners, billboards, pneumatic toys, stationery, furniture films, industrial curtains, floor coverings, raincoats, handbags, plastic bags & other items. The operations of the firm commenced in 2007, and their customer base is mainly of the traders who finally supply the products to the end users. Their primary raw material is PVC resin, and the secondary raw materials include DOP, knitted fabrics and calcium carbonate.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	155.53	150.09
EBITDA	7.21	9.24
PAT	2.23	2.12
Total Debt	42.67	45.44
Tangible Net Worth	41.31	41.87
EBITDA Margin (%)	4.64	6.16
PAT Margin (%)	1.43	1.41
Overall Gearing Ratio (x)	1.14	1.20
Interest Coverage (x)	2.26	1.77

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
1.	Fund Based Bank Facilities	Long Term	42.50	IVR BBB-/Stable	-	-	-
2.	Non-Fund Based Bank Facilities	Short Term	7.50	IVR A3	-	-	-

Press Release

Analytical Contacts:

Name: Vipin Jindal

Tel: (011) 45579024

Email: vipin.jindal@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	June 2027	2.11	IVR BBB-/Stable
Cash Credit	-	-	-	-	39.00	IVR BBB-/Stable
Proposed Long Term Bank Facility	-	-	-	-	1.39	IVR BBB-/Stable
Letter of Credit	-	-	-	-	7.50	IVR A3

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-Canadian-Speciality-aug24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.