



## Press Release

### Raviraj Foils Limited (RFL)

December 29, 2021

#### Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action
Long Term Fund Based Facilities – Term Loans	44.05 (Decreased from 46.86)	IVR BBB+ /Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed
Long Term Fund Based Limit – Cash Credit	59.00	IVR BBB+ /Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed
Short Term Non- Fund Based Limits - Letter of Credit	3.25	IVR A2 (IVR A Two)	Reaffirmed
Short Term Non- Fund Based Limits - Bank Guarantee	8.50	IVR A2 (IVR A Two)	Reaffirmed
Proposed Long term facilities	2.81	IVR BBB+ /Stable (IVR Triple B Plus with Stable Outlook)	Assigned
<b>Total</b>	<b>117.61</b>		

#### Details of Facilities are in Annexure 1

#### Detailed Rationale:

The reaffirmation of the ratings assigned to the bank facilities of Raviraj Foils Limited continue to derive strength from its established track record of operations and experienced promoters, well diversified operations along with reputed clientele, integrated nature of operations; niche product profile, healthy growth in operation and moderate capital structure and debt coverage indicators. However, the rating strengths are partially offset by vulnerability of profitability to volatility in prices of key raw materials and foreign exchange rate, presence in an intensely competitive aluminium foil industry and supplier concentration risk.

#### Key Rating Sensitivities:

#### Upward Factors:



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- Substantial & sustained improvement in the Company's revenue and profitability leading to sustained improvement in debt protection metrics.

### **Downward Factors:**

- Any decline in scale of operations, profitability and/or liquidity profile of the company

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths:**

##### **Established track record of operations and experienced promoters:**

Raviraj Foils Limited has established a track record of operation in the manufacturing of aluminium foil and & semi rigid containers for more than two decades. The Company benefits from the extensive experience of its Chairman and Managing Director Mr. Jaydipsinh R Vaghela who possesses around three decades of experience in the industry. Further, they are supported by a team of well qualified and experienced professionals.

##### **Well diversified operations along with reputed clientele:**

The company caters to needs of FMCG and pharmaceutical industries majorly. Company has a diversified customer base spread across 25+ countries, which helps them in receiving repeated orders. The Company caters to reputed players such as Sun Pharma Laboratories Limited, Amcor Flexible India Pvt Ltd, Bilcare Limited, Digi Pro, Pfizer Limited, Huhtamaki PPL to name a few.

##### **Integrated nature of operations; niche product profile:**

RFL benefits from the integrated nature of operations as it can undertake continuous strip casting and rolling to converting of aluminium foils. This enables the company to manufacture a wide range of aluminium flat rolled products. Further, the presence of printing division helps the company to print on the foils as per the requirements of the pharmaceutical industry. Company has its own expertise in producing 6 Micron aluminium foils and is one of the few manufactures in this segment.

##### **Healthy growth in operation:**

Company witnessed a healthy growth in operation with increase of about ~76% in turnover to INR 394.41 Crore in FY21 (FY20: INR 223.68 Crore) due to increase in volume coupled with increased average sales realization and introduction of new product. EBIDTA margin remained stable at 11.68% in FY21 (11.65%). The increase in margins was due to high demand for company's product along with increase realisation. The margins expected to



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remain sustainable in the medium term due to phased manner inclusion of new products and exploration of new markets.

During 1H FY22, the company has achieved revenue of INR 292.71 Crore (1H FY21: INR 169.64 Crore).

### **Moderate capital structure and debt coverage indicators:**

Company's capital structure remained moderate with overall gearing ratio of around 1.52x in FY21 (FY20: 1.57x) and Long-Term Debt Equity ratio stood at 1.24x in FY21 (1.35x). TOL/ATNW stood at 1.73 times as on 31 March 2021 (1.96x) The adjusted net worth of company stood at INR 170.65 Crore as on 31 March 2021 (INR 157.13 Crore). Total debt increased to INR 259.93 Crore in FY21 (INR 246.71 Crore). Debt protection parameters also remained moderate with interest coverage ratio of 2.28x in FY21 (2.94x).

Total debt/GCA as 9.52x in FY21 (12.70x). Total debt/GCA, interest coverage & other debt protection metrics expected to improved moving forward.

### **Key Rating Weaknesses:**

#### **Vulnerability of profitability to volatility in prices of key raw materials and foreign exchange rate:**

Aluminium is the main raw material for company, and it comprised more than 85-90% of its total raw material purchase cost. The price of aluminium has exhibited volatility in the past on account of its linkage with price of primary aluminium in the domestic market, which is in turn governed by global demand-supply scenario and foreign exchange rate fluctuation.

Company is also exposed to foreign currency exchange rate fluctuation risk on its imports due to significant gap between consumption of imported raw material and exports with no active hedging policy to mitigate the risk. During FY21, company reported a foreign currency profit of INR 0.27 Crore against loss of INR 0.09 Crore in FY20. Due to these factors, Company's profitability could be impacted by any adverse movement in its input cost which is generally passed on to its customers with some time lag due to intense competition in the industry.

#### **Presence in an intensely competitive aluminium foil industry:**

The aluminium foil industry is intensely competitive on account of ample available production capacity along with imports of regular quality foils, particularly from China and South-East Asian nations. While the demand for aluminium foils is expected to remain stable in the medium term with regular offtake from major end user industries including pharmaceutical and FMCG industries, the profitability of the industry players is expected to remain volatile on



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account of close linkage of raw material prices to global metal prices along with volatility in forex rates, particularly for imported raw materials.

### Supplier Concentration Risk:

RFL's top two suppliers constitute about 75% of the total purchases in FY21, indicating high supplier concentration risk.

### Analytical Approach: Standalone

### Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

### Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the company had gross cash accruals of INR 27.30 Crore in FY21. The overall average utilization of the fund-based and non-fund-based limits remains comfortable at 47.37% and 57.25% respectively during the last 12 months ended October 2021. The current ratio stood at 1.03 times as on 31st March 2021. Cash and Cash equivalent amounted to INR 16.04 Crore as on 31st March 2021.

### About the Company:

The Raviraj Foils Limited (RFL) is promoted by late Shri Ravubha Vaghela during 1996 and started production from Dec 1997. Company manufactures Ultra-Light, light (6 to 12 microns) and medium gauge (15 to 50 microns) aluminium foils, which are used for FMCG and pharmaceutical packaging.

The company have 2 units in Sanand and 1 printing unit in Sikkim. The first unit at Sanand was commissioned in 1997-98 with a capacity 9000 MTPA and second Unit at Sanand was commissioned in Dec 2019 which has a capacity 19910 MTPA. RFL has 2 New Achenbach (Germany) make Rolling Mills capable of rolling up to 2150 mm width and can produce Ultra-Light Gauge Aluminium Foil of 5 micron and above thickness. Company has a 2.1 MW Wind Turbine in Bhuj District.

### Financials:

(INR Crore)

For the year ended/ As On	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	223.68	394.41



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EBITDA	26.05	46.08
PAT	5.54	2.38
Total Debt	246.71	259.93
Adjusted Tangible Net-worth	157.13	170.65
<b>Ratios</b>		
EBITDA Margin (%)	11.65	11.68
PAT Margin (%)	2.46	0.60
Overall Gearing Ratio (x)	1.57	1.52

**Status of non-cooperation with previous CRA: Nil**

**Any other information: NA**

**Rating History for last three years:**

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (22/Dec/20)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facilities – Term Loans	Long Term	44.05	IVR BBB+ /Stable	IVR BBB+ /Stable	--	--
2.	Long Term Fund Based Limit – Cash Credit	Long Term	59.00	IVR BBB+ /Stable	IVR BBB+ /Stable	--	--
3.	Short Term Non- Fund Based Limits - Letter of Credit	Short Term	3.25	IVR A2	IVR A2	--	--
4.	Short Term Non- Fund Based Limits - Bank Guarantee	Short Term	8.50	IVR A2	IVR A2	--	--



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5.	Proposed Long term facilities	Long Term	2.81	IVR BBB+ /Stable	--	--	--
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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Term Loans	--	--	Upto Sep 2032	44.05	IVR BBB+ /Stable
Long Term Fund Based Limit – Cash Credit	--	--	--	59.00	IVR BBB+ /Stable
Short Term Non- Fund Based Limits - Letter of Credit	--	--	--	3.25	IVR A2
Short Term Non- Fund Based Limits - Bank Guarantee	--	--	--	8.50	IVR A2
Proposed Long term facilities	--	--	--	2.81	IVR BBB+ /Stable

### Annexure 2: List of companies considered for consolidated analysis: Not Applicable

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Raviraj-Foils-lenders-dec21.pdf>

(INR Crore)				
Sr. No.	Lender Name	Type of Facility	Nature	Rated Amount
1	Bank of Baroda	Term Loan	Long Term	5.27
		Cash Credit	Long Term	59.00
		Letter of Credit	Short Term	3.25
		Bank Guarantee	Short Term	8.50
2	Rajkot Nagrik Sahakari Bank	Term Loan	Long Term	38.79
3	Proposed	Proposed	Long Term	2.81

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

### Annexure 5: Complexity level of the rated Instruments/Facilities:

Sr. No.	Instrument	Complexity Indicator
1	Long Term Fund Based Facilities – Term Loans	Simple
2	Long Term Fund Based Limit – Cash Credit	Simple
3	Short Term Non- Fund Based Limits - Letter of Credit	Simple
4	Short Term Non- Fund Based Limits - Bank Guarantee	Simple

**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 <https://www.infomerics.com/>.