



Press Release

Responsive Industries Limited [RIL]

May 07, 2021

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating	Rating Action
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
2	Short-Term Non - Fund based – Inland/ Import LC [Sub-limit - Letter of Guarantee]	60.00	IVR A2+ [IVR A Two Plus]	Rating reaffirmed
	Total	240.00		

Details of facilities are in Annexure 1

Rating Rationale

The rating assigned to the bank facilities of Responsive Industries Limited (RIL) continues to derive strength from experienced promoters, significant & healthy improvement in operating profitability, well-diversified product portfolio & strong marketing network, reputed clientele, comfortable gearing ratio and comfortable debt protection metrics, established market position with tremendous growth potential and expected commercialization of UAE and USA subsidiaries in medium term to expand geographical reach. 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 & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics.

➤ **Downward Rating Factor:**

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



Press Release

Detailed Description of Key Rating Drivers

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 verified tiles and Indian flooring market, which was dominated by mosaic or conventional materials like carpets. Now they are in the period of evolution. Over the time, they have 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 & healthy improvement in operating profitability

During FY19, the Company had been successful in their strategy of transiting into high value-added margin products such as contract and semi-contract vinyl sheets from the low margin printed flooring business. Also, they had launched a new and innovative product 'IMPACT' under LVT category in FY19, giving them the first-mover advantage.

The resultant decline in overall revenue from INR 775 Crore in FY19 to INR 533 Crore in FY20 was in line with company's focus to transit to value added products against the earlier volume-based vinyl flooring segment. The decline was also on account of Covid impact in the last quarter of the year resulting in delay in deliveries and cancellation of orders. However, the said decline in revenue was broadly compensated on account of increase in EBITDA margin from ~15% in FY19 to ~18% in FY20 commensurate to focus on value accretive products.

However, in 9 months-FY21 the Group's revenues improved from INR ~533 Crore in FY20 to INR ~548 Crore in 9 months-FY21.

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+



Press Release

distributors pan-India, 300+ international distributors, 50 cities pan-India, 70+ countries worldwide with 30+ product categories.

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 Overall Gearing ratio at Group level stood comfortable and improved from 0.23x as at FY18 to 0.11x as at FY19; and had become long-term debt free. The Overall Gearing ratio also stood comfortable at 0.16x as at FY20. The Total outside liabilities to Tangible Net Worth of the Group stood comfortable at 0.23x as at FY20. The interest coverage ratio stood comfortable at 8.93 in FY19 and 4.58x in FY20.

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.

Expected commercialization of UAE and USA subsidiaries in medium term to expand geographical reach

While installation of plant and equipment in Dubai unit is complete and trial runs are underway, the commencement of operations is expected from H2-FY22. The UAE's strategic location provides a competitive market advantage along with a low cost of



Press Release

production. The Company is currently leveraging its supply chain to produce white-label goods through a third-party manufacturing line and rebrand it under Responsive Industries to tap this demand. RIL UAE has so far generated USD 30 million in revenue until December 2020. The trial runs for production in USA unit are expected in March 2022 and commercial production by June-September 2022.

Key Rating Weaknesses

Stretched Operating cycle

The Average Operating Cycle of the Group stood stretched but improved from 180 days as at FY19 to 169 days as at FY20 due to improved collection period.

Susceptibility to volatility in forex rates and raw material prices

The cost of raw material prices used in manufacturing vinyl flooring components like limestone, glass fibre and vinyl 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 Company has a natural hedge against its imports and exports as it deals in foreign currencies by importing and exporting of goods. Also, the company is no longer susceptible to currency and raw material shocks because of venturing into higher margin products.

The unhedged foreign currency exposure as at 31-Mar-2021 was around USD 12 Million.



Press Release

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).

Extent of Consolidation – Full

- Rating Methodology for manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector)

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 company maintains moderate cash and bank balance to meet its liquidity requirements. The average utilization of working capital limits remained moderate at 88% during the 12 months ended March 31, 2021. The Current & Quick ratios stood at 1.65x & 1.40x respectively as at FY20. The cash accruals are adequate to service its debt obligations. Overall liquidity position is Adequate.

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.



Press Release

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 65-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 Industries LLC (USA).

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-20 Audited	9M-FY21 Unaudited
Total Operating Income	533.12	548.45
EBITDA	97.47	97.77
PAT	24.37	12.64
Total Debt	166.68	NA
Tangible Net Worth	1037.32	NA
EBIDTA Margin (%)	18.28	17.83
PAT Margin (%)	4.34	2.28
Overall Gearing ratio (x)	0.16	NA

*Classification as per Infomerics' standards
NA-Not Available*

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

Any other information: N.A.



Press Release

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2021-22)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (Feb. 19, 2020)	Date(s) & Rating(s) assigned in 2018-19
Fund based – FDBP/ FUDBP [Sub-limit - PCFC/ CC/ Direct Bills]	Long Term/ Short Term	180.00	IVR A-/ Stable Outlook/ IVR A2+	--	IVR A-/ Stable Outlook/ IVR A2+	--
Non-Fund based – Inland/ Import LC [Sub-limit - Letter of Guarantee]	Short Term	60.00	IVR A2+	--	IVR A2+	--
	Total	240.00				

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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Press Release

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.

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	



Press Release

Annexure 2: List of Subsidiaries considered for consolidation

Sr. No.	Name of Company	Relation	% of shares held as on 31-Mar-2020
1	Axiom Cordages Limited	Subsidiary	58.18%*
2	Responsive Industries Limited (Hong Kong)	Subsidiary	100.00%
3	Responsive Industries Private Limited (Singapore)	Subsidiary	100.00%

** Note: The Board of Directors of the Company (RIL) at its meeting held on February 25, 2021 has approved investment in its Indian subsidiary company Axiom Cordages Limited through purchase of its 1,04,18,162 No. of equity shares. The pre shareholding of the Company is 58.18 % of the total paid up capital and the post shareholding after purchase is 89.86% of the total paid up capital.*

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Responsive-Industries-lenders7may21.pdf>