

Brilliant Polymers Private Limited

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	50.10	CARE A-; Stable	Assigned
Long Term / Short-term bank facilities	149.90	CARE A-; Stable / CARE A2	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Brilliant Polymers Private Limited (BPPL) factors in strong market position of the company and long-standing experience of the promoter in manufacturing laminating adhesive for flexible packing industry, healthy diversification of revenue, comfortable financial risk profile. Ratings factor in significant increase in scale of operations over the years.

The total income from operations (TOI) grew at a compound annual growth rate (CAGR) of 56% from ₹312 crore in FY20 to ₹703 crore in FY24. This was backed by regular capacity addition to fulfil increasing demand from the flexible packaging industry. The company is one of the leading manufacturers of laminating adhesive in India with total capacity of 45,600 MTPA as on March 31, 2024.

However, ratings are restrained by profitability vulnerable to fluctuation in raw material prices and foreign exchange rates, and supplier concentration risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operation over ₹800 crore and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of 13% on a sustained basis.
- Significantly improving liquidity position.

Negative factors

- Declining scale of operations below ₹600 crore on a sustained basis and declining PBILDT margins below 10% on a sustained basis.
- Significant debt funded capex or acquisition leading to deteriorating net debt to total net worth (TNW) below 0.5x.

Analytical approach: Standalone

Outlook: Stable

The stable outlook assigned reflects CARE Ratings expectation that BPPL's scale of operation will continue to increase with consistent profitability and comfortable financial risk profile.

Detailed description of key rating drivers:

Key strengths

Long standing experience of promoters in laminating adhesive industry for flexible packing industry

The company is professionally managed by Dr. Ravinder Talwar and Gaurav R. Talwar, who are technocrats with decades of professional top management experience. Promoters are third generation promoters in the packaging industry. Dr. Ravinder Talwar is an Indian Institute of Technology, Mumbai Graduate. He is engaged in the packaging industry for over 5 decades and has vast experience in the world of polymers. He was the founder of Converter Adhesives and Chemical Limited, pioneer in manufacturing adhesive chemicals for packaging industry, which was then sold to the Henkel Group, Germany. He then held the position of Managing Director of Henkel India for six years before promoting Brilliant Polymers in 2012-13. Gaurav Talwar holds a Bachelor of Science degree from highly ranked Northwestern University U.S.A. and Master of Science degree from University of Southern California, U.S.A., where he specialised in Polymer Science & Chemical Engineering. He worked for six years in the top

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

management position with Henkel India Limited before setting up Brilliant Polymers. He has 24 years work experience in the polymer industry and instrumental in conceiving and implementing innovative solutions and strategy.

Healthy growth in revenue over the years

The scale of operation grew at a CAGR of 56% from ₹312 crore in FY20 to ₹703 crore in FY24. This was backed by regular capacity expansion to fulfil increasing demand from the flexible packaging industry. Major capacity expansion was undertaken in December 2022 to cater to new opportunities, arising due to Russia-Ukraine war. Basis this, BPPL could increase its exports to Russia. BPPL plans to increase its scale of operations majorly by expanding its presence in international market.

Complete range of laminating adhesive for flexible packaging

BPPL has a production capacity of 45600 metric tonnes in Ambarnath, Maharashtra for manufacturing solvent-based and solvent-free adhesives. BPPL sells its solvent free products under brand 'Max Cure'. These products enhance food safety and mitigate the risk of PAA migrations. In its solvent based products, it has developed Glymo-free products. These products eliminate the risk of PAA under temperature exposures.

Healthy diversification in revenue profile

BPPL derives ~70% of revenue from the domestic market. BPPL has sales point and depots across India, including Noida, Kolkata, Guwahati, Hyderabad, Ahmedabad and Chennai to reduce lead time and to cater to customers across the country.

The balance revenue of ~30% is from the export market. The export revenue is majorly derived from the African subcontinent, Asia Pacific region and Russia. BPPL's customers mainly include packaging convertors. BPPL's customer concentration risk is relatively low with ~25% revenue from top 10 customers and no single customer contributing more than ~ 5% of the total revenue.

Comfortable financial risk profile

Financial risk profile is comfortable supported by consistent improvement in cash accruals. Solvency ratio is comfortable with overall gearing at 0.71x and total outstanding liabilities to TNW (TOL/TNW) at 1.27x in FY24. Credit metrics is also comfortable with interest coverage ratio of 6.11x, total debt to gross cash accruals (TD/GCA) at 1.83x in FY24.

Favourable outlook of adhesive industry

Growth in the adhesive market is owing to increased demand from flexible packaging. Flexible packaging is gaining traction due to lightweight items across sizes, extended shelf life, and recyclability. Adhesives play a crucial role in applications such as flexible packaging, specialty packaging, composite containers, and frozen food packaging. The expansion of India Adhesives and Sealants Market is further fuelled by thriving e-commerce and online food delivery industries.

Key weaknesses

Profitability vulnerable to raw material price fluctuation

Raw material price volatile and lag in passing on price rise to customers can impact profit margins. However, when raw material price stabilises, the benefit is also passed on to the customer with a lag, which led to better profitability. In FY22, the PBILDT margin declined to 5.07% from ~18% in FY21, however, the margin improved to 11.48% in FY23 and further to 13.23% in FY24.

Supplier concentration risk and profitability vulnerable to foreign exchange fluctuation

Major raw material required by BPPL include acids, glycols, isocyanates, solvents and catalyst. BPPL meets ~50% of its raw material requirement through imports, majorly from South Korea. Other countries for import include the USA and China. Owing to its long relations with its suppliers BPPL gets clean credit for ~90% of its purchases. Supplier concentration is high for BPPL as ~78% of purchase is from top 10 vendors. To mitigate BPPL's supplier risk procures maximum quantity of raw material from vendors, which provide most competitive prices, and balance minimum quantity is procured from other vendors to maintain the supplier relationships. BPPL is net importer and for majority of its net forex exposure, it avails forward contracts as advised by its external forex advisor.

Liquidity: Adequate

BPPL's liquidity is adequate marked by steady increase in cash accruals in the last three years and sufficient in liquidity in the form of cash/bank balance and mutual funds. However, average fund-based utilisation for 12-months ended June 2024 was ~97%. In FY24, BPPL reported cash accruals of ₹76.57 crore and had term loan repayments of ~₹16 crore. In the projected period FY25 to FY27, BPPL estimates annual cash accruals to be in the range of ₹80 crore to ₹95 crore against term loan repayment obligation of ~₹19 crore in FY25, ~₹17 crore in FY26 and ~₹ 7 crore in FY27. As on March 31, 2024, BPPL had a cash/bank balance of ₹48.24 crore (PY: ₹36.87 crore) and mutual fund investment of ₹50.25 core (PY: 16.60 crore). The current ration as March 31, 2024, was 1.44x (PY:1.33x).

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & petrochemicals	Specialty chemicals

BPPL is involved in manufacturing adhesive chemicals. The company was incorporated in 2011 and is promoted by Dr. Ravindra R. Talwar and Gaurav R. Talvar. In the adhesive chemical segment, the company specialises in manufacturing Laminating Adhesives, which are further used in the flexible packaging industry. The company produces comprehensive range of products, which include Solvent Based & Water Based Adhesives (solvent free adhesives) and Customised Solutions for clients within India and across the Globe. The company's products are used to bond substrates such as films, foil and paper to form complete flexible packaging solutions for the food, pharmaceuticals, consumer care and other similar industries. The company has a manufacturing unit at Ambernath, ~65 kms from Mumbai, with an installed capacity to manufacture up to 45,600 TPA laminating adhesives.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (Prov.)
Total operating income	704.51	703.46	207.73
PBILDT	80.90	93.05	30.39
PAT	41.46	63.81	NA
Overall gearing (times)	0.75	0.71	NA
Interest coverage (times)	7.38	6.11	NA

A: Audited; Prov.: Provisional; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2029	50.10	CARE A-; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	112.40	CARE A-; Stable / CARE A2
Fund-based/Non-fund-based-LT/ST		-	-	-	5.00	CARE A-; Stable / CARE A2
Non-fund-based - LT/ ST-BG/LC		-	-	-	32.50	CARE A-; Stable / CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-LT/ST	LT/ST	5.00	CARE A-; Stable / CARE A2				
2	Fund-based - LT-Term Loan	LT	50.10	CARE A-; Stable				
3	Fund-based - LT/ ST-Cash Credit	LT/ST	112.40	CARE A-; Stable / CARE A2				
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	32.50	CARE A-; Stable / CARE A2				

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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