RPG Industrial Products Private Limited

September 21, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	15.00	**CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)**	**Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*) on the basis of best available information**
Total Facilities	15.00 (Rs. Fifteen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 03, 2019 placed the rating of RPG Industrial Products Private Limited (RIPPL) under the 'issuer non-cooperating' category as RIPPL had failed to provide information for monitoring of the rating. RIPPL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated July 31, 2020; August 31, 2020 and September 11, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by RIPPL. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on July 19, 2019 the following were the rating strengths and weaknesses (updated for the FY19 financials received from registrar of companies):

Key Rating Weaknesses

Customer concentration risks

The company markets its products mainly in the northern and western India in the states of Punjab, Haryana, Uttrakhand, Uttar Pradesh, Himachal Pradesh, etc. RIPPL is thus, exposed to client concentration risks which might adversely impact the topline of the company in case of change of preference of the clients.

Fluctuating scale of operations following market price trends

The topline of DPPL, remained fluctuating owing to the fluctuations in the price trends of the polyester staple fibre, the final product of the company. The income from operations of the company thus, declined from Rs.171.76 crore in FY15 to Rs.144.96 crore in FY16, however the same recovered to Rs.156.83 crore for FY17.

Further in FY18, it improved to Rs.175.99cr and in FY 19 also it further improved to Rs. 214.29 crore. The prospects of the company are thus, highly dependent upon the demand and prices of PSF, going forward.

Susceptibility of margins to volatility in raw material prices inherently dependent upon crude oil prices

The main raw material used by the company being PET bottles and PET bottle chips are petrochemical derivatives and are thus, subject to volatility in the crude oil prices.

Though, the prices of crude oil remained largely stable in FY17 and declined marginally by about 1% on y-o-y basis. Any adverse fluctuations in the crude oil prices in the international markets can thus adversely impact the financial profile of the company.

The profitability margins declined to 8.63% in FY18 as compared to 10.70% during FY17, but in FY 19 it improved to 11.36%.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

**Issuer did not cooperate; Based on best available information*

Key Rating Strengths

Experienced Promoters and synergies from diverse presence of group

Incorporated on June 23, 2000, RPG Industrial Products Private Limited was promoted by brothers Mr. Rajiv Gupta and Mr. Sanjeev Gupta. The company is currently spearheaded by Mr. Sanjeev Gupta (brother of Mr. Rajiv Gupta and Mr. Sanjay Gupta), an engineering graduate and post graduate in management studies having an extensive experience of over two decades. The company is a part of 'Dev Priya' group of Industries established in the year 1989 by Mr. Rajender Prasad Gupta (father of Mr. Rajiv Gupta).

Comfortable Financial Structure and debt-service coverage indicators

The comfortable capital structure of RIPPL in FY19 is reflected by a debt-equity ratio of 0.01x [as on March 31, 2018: 0.27x] and overall gearing of 0.01x [as on March 31, 2018: 0.35x]. The improvements in the overall gearing and debt-equity ratio factors in pre-payments of long-term bank loans made by RIPPL during FY19. The pre-payments of the loans have been supported by strong operating cash flows. Furthermore, the debt service coverage indicators of the RIPPL also stood improved reflected by interest coverage of 30.11x for FY19 as against 7.73x for FY18 on account of repayments of debt made by the company which resulted in decline in interest expense during FY19 over FY18.

Satisfactory operational performance and adequate availability of power

RIPPL has an installed capacity of manufacturing of polyester staple fibre of 24,000 MTPA. The margins of the company declined from 11.22% in FY16 to 10.70% in FY17 owing to increase in raw material prices by 5% partially saved by increase in sales realizations by 3%. Furthermore, the company has sufficient power supply arrangements from the captive power plant of 12MW installed by the group company Dev Priya Products Private Limited (DPPL).

Efficient Working Capital Management

The working capital cycle of RIPPL stood at 35 days for FY19 in comparison to 37 days in FY18 marked by average receivable period of 30 days, inventory holding period of 30 days and average payables period of 18 days. The current ratio of the company also improved from 2.07x as on March 31, 2018 to 2.34x as on March 31, 2019. Furthermore, the working capital utilisation of the company stood low at about 43% for the past 12 months ended January31, 2018.

Prospects of industry

The domestic consumption of MMF contracted by a CAGR of 5.1% over the last 5 years (FY13 – FY17). However, in FY17 the consumption witnessed a higher decline of 7.5% y-o-y. MMF industry has been going through a lean phase for the last 5 fiscals. In FY17, factors such as sluggish demand, higher imports, rigid competition from cotton yarn, fall in realizations and temporary loss of production on account of demonetization weighed down on the industry. However, the domestic economy is on a revival path and is expected to improve going forward. Therefore, in the short to medium term, CARE Ratings expects MMF consumption to remain relatively stable. With an overall improvement in global economy, increased demand for technical textiles and constrained cotton availability in the long term, we expect polyester consumption to register a gradual pick up. Also, with downward revision in GST rates from 18% to 12% in October 2017 and increase in import duties on various synthetic yarns and fibres, the domestic industry is expected to remain competitive vis-à-vis global players.

Liquidity Analysis

The operating cycle improved to 35 days in FY19 (PY: 37 days) on account of higher inventory holding period and relatively slower collection from customers (24 days in FY19; PY: 29 days)

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer]
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Financial Ratios – Non financial Sector]

About the Company

RPG Industrial Products Private Limited (RIPPL) was incorporated in June, 2000. The company forayed into manufacturing of recycled polyester staple fibre by setting up its facilities in 2011. The plant commenced commercial operations in January, 2013 with an installed capacity of 24000 Metric Tonne per annum (MTPA). The company manufactures variety of products including textile grade fibre & coarse denier, silicon fibre, hollow fibre, hollow silicon fibre and conjugated fibre using postconsumer Polyethylene terephthalate [PET] bottle waste and other kind of industrial waste of polymer. The products find applications in the textile sector in spun yarn, hosiery yarn and blended woollen yarn and in the other industrial sector in stuffing of toys, furniture, pillows, quilts, mattresses and other comfort products; non-woven carpets and fabrics; filter fabrics; medical and packaging textile; Geo textile; Paper and construction industry and other nonwoven/ technical textile.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	175.99	214.29
PBILDT	15.19	24.34
PAT	6.02	14.70
Overall gearing (times)	0.34	0.01
Interest coverage (times)	8.17	30.11

A: Audited

Status of non-cooperation with previous CRA: Issuer not cooperating by CRISIL vide press release dated July 03, 2019 and India Ratings vide press release dated May 15, 2018

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (19-Jul-19) 2)CARE BBB-; ISSUER NOT COOPERATING* (03-Apr-19)	1)CARE BBB; Stable (10-Apr-18)	-

**Issuer did not cooperate; Based on best available information*

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

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

***Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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