

## Resil Chemicals Private Limited

March 08, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based (Cash Credit)	28.00	28.00	[ICRA]A (Stable); Reaffirmed
Long Term – Term Loan	20.00	34.00	[ICRA]A (Stable); Reaffirmed
Short Term - Fund Based *	4.00	4.00	[ICRA]A1; Reaffirmed
Short Term - Non-fund Based *	5.40	5.40	[ICRA]A1; Reaffirmed
Short Term – Interchangeable	(4.00)	(4.00)	[ICRA]A1; Reaffirmed
<b>Total</b>	<b>57.40</b>	<b>71.40</b>	-

\*Instrument Details are provided in Annexure-1

### Rating action

ICRA has reaffirmed the long-term rating of [ICRA]A (pronounced ICRA A) to the Rs. 28.00-crore cash-credit limits and the Rs. 34.00-crore (enhanced from Rs. 20.00 crore) term loans of Resil Chemicals Private Limited (RCPL). The outlook on the long-term rating is Stable. ICRA has also reaffirmed the short-term rating of [ICRA]A1 (pronounced ICRA A one) for the Rs. 4.00-crore short-term fund-based limits, Rs. 5.40-crore short-term non-fund based limits and Rs. 4.00-crore interchangeable sub-limits of RCPL.

### Rationale

The reaffirmation of the ratings takes into account the diversified product portfolio of the company and low customer concentration risk lending business stability for the company over the medium term. The ratings also take into account RCPL's meaningful market share in the Indian silicon-Textile Finishing Agents (TFA) market, its established relationship with its clients and continuous investment in new product development, which strengthens its position in the domestic market. ICRA also positively factors in the healthy capital structure of RCPL. The ratings, however, continue to remain constrained by the company's modest scale of operations in an intensely competitive industry restricting its pricing flexibility. Further, RCPL remains exposed to the cyclical nature in the textile industry from which it derives about 80% of its revenues. As such, weak performance of the textile industry in FY2017 and H1FY2018 owing to tepid end-customer demand, exacerbated the competitive intensity and resulted in a significant decline in profitability for RCPL during the period. Nevertheless, going forward, the company's focus on diversification of sales to other industries including personal care, automobiles, plastics, leather, rubber, etc. is expected to aid in reducing this dependence on the textiles industry to some extent.

### Outlook: Stable

The 'Stable' outlook reflects ICRA's expectation that the company will continue to benefit from its established position in the market and its diversified product and customer base. The outlook may be revised to 'Positive' if there is substantial increase in the scale of operations aided by a sustained growth in market share for its existing products or a successful scale-up of new products being developed. The outlook may be revised to 'Negative' if there is any further weakening of the coverage indicators following any decline in operating margins or if the capital expenditure is higher than estimated leading to weakening of the liquidity position.

## Key rating drivers

### Credit strengths

**Diversified product portfolio catering to varying requirements of the customers across industries** - RCPL manufactures a broad range of products that are customised to meet the diverse requirements of its customers. For the textile segment, the company manufactures textile finishing agents (TFA), speciality chemicals, process enhancers, organics, enzymes and lubricants. In the non-textile segment, the company manufactures performance enhancers, anti-foam agents, lubricants, car-care products (under brand name Vista), personal-care products, and other products catering to industries such as leather, rubber and plastics, construction, pharmaceutical, etc. Recent diversification into nano-technology products is also bringing sizeable revenues to the company. The diverse product portfolio lowers business risk and the risk of product obsolescence or commoditisation in any specific product line. The range of products offered in the textile segment caters to multiple requirements of the customer across the value chain of textile production and therefore enhances customer loyalty and market position of the company.

**Established relationship with a wide customer base of distributors and institutional customers** - RCPL has a diversified customer portfolio consisting of distributors, textile manufacturers as well as chemical and dye manufacturers. The diversified customer base has resulted in low customer-concentration risk as the top-five customers contributed to less than 20% of the company's total revenues in FY2017. This reduces the company's exposure to the downturns associated with any specific customer and ensures greater stability of revenues even in case of any client loss. This apart, wide distribution network, established relationship with suppliers and distributors, pre and post-sales support offered to its customers also contribute to the stability in revenues over the medium term.

**Meaningful market share in the Indian silicon-based TFA market; continuous investment in research and development enhances market position** - RCPL is one of the large players in the Indian market for silicone-based TFAs and enjoys an estimated market share of about 10-12%. Further, the company continues to invest about 4% of its operating income regularly in R&D activities for new product development. Launch of new products like hand-sanitisers and nano-technology based anti-microbials for textiles, plastics, etc, are aiding the company in further diversifying its customer base and increasing its presence in the market.

**Healthy financial profile characterised by comfortable coverage indicators** - The company incurred Rs. 30.0-crore capital expenditure over FY2016 and FY2017 towards setting up a new manufacturing plant in Malur, Karnataka (about 50 km from Bangalore). The capex was funded through debt of ~Rs. 18.0 crore. While this has resulted in a moderate increase in its gearing to 0.5 times as on March 31, 2017, the coverage indicators remain comfortable as characterised by interest coverage ratio at 4.3 times and Total Debt/OPBDITA at 2.1 times.

### Credit weaknesses

**Modest scale of operations** - With operating income of Rs. 177.2 crore in FY2017, the scale of operations of RCPL remains modest. The ability of the company to influence the market price or pass on the fluctuations in raw-material prices to its customers remains restricted to some extent given the competitive intensity.

**High competition in a fragmented industry limits pricing flexibility and restricts margins** - The textile chemicals market in India is highly fragmented with over 300 large as well as small players competing in the market. The other large players in the segment include global silicone-based chemical manufacturers such as BASF, Clariant and Huntsman; and domestic manufacturers such as Britacel Silicones Limited and Fineotech Chemicals Ltd. Intense competition and fragmented nature of the industry restrict the pricing flexibility of the company.

**High dependence on textile industry exposes the company to volatility in the industry** - RCPL derives about 80% of its revenues from the textile segment, exposing its revenues to cyclicity in the textile industry. Demonetisation and implementation of GST has impacted the textile industry in FY2017 and H1 FY2018 respectively and curbed the revenue growth for the company under the textile segment to some extent. However, the revenue contribution from the non-textile segment has been growing gradually over the years.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Entities in the Chemical Industry](#)

**About the company:**

Incorporated by Mr. M.S.Mohan and Mr. M.S.Vijayan in 1991, Resil Chemical Private Limited (RCPL) commenced operations as an indenting agent for the sale of silicones. In 1994, RCPL integrated backwards to manufacture silicone-based textile finishing chemicals. The company also manufactures organic finishing agents, lubricants, enzymes and softeners for the textile industry. Over the years, RCPL has diversified its product range to include performance chemicals for industries like leather, rubber and plastics, construction, pharmaceutical, paper, agriculture, personal care and cosmetics, and car-care (under the brand name 'Vista'). It also diversified into nano-technology based products for textile, personal care and plastic industries. These products are marketed through its wholly-owned subsidiary N9 World Technologies Private Limited.

RCPL has its head-office and R&D centre in Bangalore and has sales offices in Tirupur, New Delhi, Mumbai, Ludhiana, Ahmadabad, and Kolkata. Apart from these, the company has an overseas liaison office in Dhaka, Bangladesh. The company has three production facilities in and around Bangalore, employing over 400 people, with an aggregate installed capacity of 29,467 MT per annum.

**Key Financial Indicators (Audited)**

	<b>FY2016</b>	<b>FY2017</b>
Operating Income (Rs. crore)	158.5	177.2
PAT (Rs. crore)	13.3	9.8
OPBDIT/ OI (%)	14.8%	10.9%
RoCE (%)	29.0%	19.0%
Total Debt/ TNW (times)	0.5	0.5
Total Debt/ OPBDIT (times)	1.4	2.1
Interest Coverage	12.7	4.3
NWC/ OI (%)	24.7%	27.1%

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for last three years:

		Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore) as on Sep 30, 2018	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				Mar 2018	Jan 2017	Mar 2016	Jan 2015
1 Cash Credit	Long Term	28.00		[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2 Term Loan	Long Term	34.00	16.18	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
3 Fund based	Short Term	4.00		[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
4 Non-fund based	Short Term	5.40		[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
5 Interchangeable	Short Term	(4.00)		[ICRA]A1	[ICRA]A1	-	-

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	28.00	[ICRA]A (Stable)
NA	Term Loan 1	FY2015	-	August 2022	20.00	[ICRA]A (Stable)
NA	Term Loan 2	February 2018	-	March 2026	14.00	[ICRA]A (Stable)
NA	Standby Line of Credit #	-	-	-	4.00	[ICRA]A1
NA	Letter of Credit ^	-	-	-	4.50	[ICRA]A1
NA	Bank Guarantee	-	-	-	0.50	[ICRA]A1
NA	Credit Exposure Limit	-	-	-	0.40	[ICRA]A1
NA	PFCF/EPC/FBR/EBD	-	-	-	(4.00)	[ICRA]A1
<b>Total</b>					<b>71.40</b>	

# Interchangeable between Fund-based/non-fund based

^ One-way interchangeability from letter of credit to cash credit to the extent of Rs. 1.00 crore

Source: Resil Chemicals Private Limited

## ANALYST CONTACTS

**K Ravichandran**

+91 44 45964301  
ravichandran@icraindia.com

**Ritika Periwal**

+91 80 49225562  
ritika.mundhra@icraindia.com

**R Srinivasan**

+91 44 45964315  
r.srinivasan@icraindia.com

**Nikhil Mathew**

+91 80 49225569  
nikhil.mathew@icraindia.com

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860  
[naznin.prodhani@icraindia.com](mailto:naznin.prodhani@icraindia.com)

### Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents