

FIL/SEC/SEs/2022-23/018  
25<sup>th</sup> May, 2022

The Manager – Listing Department National Stock Exchange of India Limited 5, Exchange Plaza Bandra-Kurla Complex Bandra (East), Mumbai 400051	The Manager – Listing Department BSE Limited Registered Office: Floor 25 P.J.Towers Dalal Street Mumbai 400 001
Scrip Code: FINPIPE	Scrip Code: 500940/FINOLEXIND

**Sub : Disclosure of revision in Credit Rating**

**Ref : Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Dear Sir/Madam,

In terms of the subject referred Regulation, we would like to inform that based on CRISIL credit ratings, the Company has been assigned the following revised Corporate Credit Rating:

<b>Instrument/Facility</b>	<b>Credit Ratings</b>
Long-term rating	CRISIL AA+/Stable (upgraded from 'CRISIL AA'/ 'Positive')
Short-term rating	CRISIL A1+ (Reaffirmed)

A copy of the CRISIL credit ratings report is enclosed for your reference.

You are requested to take the above on your records.

Thanking you,

Yours truly,  
For **Finolex Industries Limited**



Ashutosh Kulkarni  
Company Secretary & Compliance Officer  
M. No.: A18549

Encl: As above

# Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



## Rating Rationale

May 25, 2022 | Mumbai

### Finolex Industries Limited

Long-term rating upgraded to 'CRISIL AA+/Stable'; short-term rating reaffirmed

#### Rating Action

Total Bank Loan Facilities Rated	Rs.1378.25 Crore
Long Term Rating	CRISIL AA+/Stable (Upgraded from 'CRISIL AA/Positive')
Short Term Rating	CRISIL A1+ (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facilities of Finolex Industries Limited (FIL or 'the company') to 'CRISIL AA+/Stable' from 'CRISIL AA/Positive'. The short-term rating has been reaffirmed at 'CRISIL A1+'.

The upgrade factors in the enhanced product diversity with share of non-agri products rising to around 40% during fiscal 2022, compared to 30-35% two years ago. The rating action also reflects the improved financial risk profile, as indicated by net cash position (cash and equivalent less gross debt) improving to over Rs 1,500 crore as on March 31, 2022, from around Rs 600 crore as on June 30, 2021. Healthy cash accrual, aided by strong operating performance, along with sale of around 34.88 acres of land in Pune in the last quarter of fiscal 2022, has boosted liquidity.

Revenue has grown by around 34% during fiscal 2022, aided by higher realisations, though volume rose by a modest 3%. Operating margin was healthy around 22% in fiscal 2022, despite moderating from the peak of around 29% in fiscal 2021. While a correction in prices of polyvinyl chloride (PVC) may lead to further moderation, the margin is likely to be healthy above 18% on a sustainable basis and this is a key monitorable.

Cash surplus may be impacted by the yearly dividend payout and sizeable capital expenditure (capex) plans for the pipe division, but should still be healthy. However, any large outflow due to a major capex and/or shareholder payout is a key rating sensitivity factor.

The ratings continue to reflect the established market position of FIL in the PVC resin and pipe segments, its high operating efficiency, driven by the integrated production process and its strong financial risk profile. These rating strengths are partially offset by susceptibility to volatility in raw material prices.

#### Analytical Approach

CRISIL Ratings has adjusted the networth of FIL for the circular investments between FIL and Finolex Cables Ltd (rated 'CRISIL AA+/Stable/CRISIL A1+').

#### Key Rating Drivers & Detailed Description

##### Strengths:

- **Established market position in the domestic PVC resin and pipes segments:** FIL is amongst the largest players in the domestic PVC resin and pipe segments. It holds a market share of over 20% in the organised PVC pipe market (in terms of volume sold).
- **High operating efficiency, driven by in-house PVC resin capacity and 43-megawatt (MW) captive power:** FIL is the only large vertically integrated player in the domestic market as it produces its majority requirement of PVC resin, the major raw material used in pipe manufacturing. Interdivisional transfer of raw material has accounted for around 73% of total revenue from PVC resin segment in fiscal 2022, vis-à-vis 11% in fiscal 2008.
- **Strong financial risk profile:** Financial risk profile is marked by negligible gearing of 0.1 time as on March 31, 2022, in the absence of any long-term debt or major capex plans. Debt protection metrics were strong, with interest cover of around 79 times in fiscal 2022. Liquidity has improved further, as reflected in net cash and equivalent aggregating above Rs 1,500 crore as on March 31, 2022, supported by healthy cash accrual and proceeds from sale of 34.88 acres of land in the last quarter of fiscal 2022.

##### Weakness:

- **Susceptibility to volatility in raw material prices:** Profitability remains volatile to movement in international prices of PVC and its raw materials: ethylene dichloride (EDC), ethylene, and vinyl chloride monomer (VCM). Furthermore, as most of the raw material required for manufacturing PVC resin is imported, inventory-related risk is also high.

**Liquidity: Strong**

Expected cash accrual of over Rs 250 crore per annum will continue to support liquidity in the absence of any debt. Net cash and equivalents were above Rs 1,500 crore as on March 31, 2022. Moderate capex of Rs 150-200 crore per annum is likely to be funded through internal accrual going forward. Bank limit also has adequate cushion to cover the incremental working capital expenses.

**Outlook: Stable**

CRISIL Ratings believes that FIL will benefit from its strong market position and operating efficiency, while maintaining its healthy financial risk profile over the medium term.

**Rating Sensitivity factors****Upward factors**

- Improvement in business risk profile, driven by increased geographical reach as well as product diversification
- Sustenance of healthy double-digit revenue growth and operating margin of over 20% along with a healthy financial risk profile

**Downward factors**

- Steep decline in revenue, with operating margin falling below 16% on sustained basis
- Significant weakening of the capital structure or debt protection metrics
- Sizeable reduction in cash surpluses due to higher-than-expected shareholder payouts or large debt funded capex

**About the Company**

FIL is the third-largest player in the PVC resin market and second largest manufacturer of PVC pipes in India. The company has three manufacturing facilities, one each in Pune and Ratnagiri (both in Maharashtra) and Masar, near Vadodara in Gujarat. The company is the only backward integrated player, with in-house PVC resin capacity and 43 MW captive power, aiding cost control.

**Key Financial Indicators**

As on/for the period ended March 31		2022	2021
Revenue	Rs crore	4,647	3454
Profit after tax (PAT)	Rs crore	1,053	728
PAT margin	%	22.7	21.1
Adjusted debt/adjusted networth	Times	0.10	0.09
Interest coverage	Times	78.6	146.4

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	120.25	NA	CRISIL AA+/Stable
NA	Letter of credit & Bank Guarantee*	NA	NA	NA	1250.0	NA	CRISIL A1+
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	8.0	NA	CRISIL AA+/Stable

\*Letter of credit and bank guarantee are interchangeable with buyer's credit.

**Annexure - Rating History for last 3 Years**

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	128.25	CRISIL AA+/Stable		--	29-10-21	CRISIL AA/Positive / CRISIL A1+	18-12-20	CRISIL A1+ / CRISIL AA/Stable	26-09-19	CRISIL A1+ / CRISIL AA/Stable	CRISIL A1+ / CRISIL AA/Stable
Non-Fund Based Facilities	ST	1250.0	CRISIL A1+		--	29-10-21	CRISIL A1+	18-12-20	CRISIL A1+	26-09-19	CRISIL A1+	CRISIL A1+

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Rating
Cash Credit	4	CRISIL AA+/Stable
Cash Credit	10	CRISIL AA+/Stable
Cash Credit	50	CRISIL AA+/Stable

<b>Cash Credit</b>	<b>6.25</b>	<b>CRISIL AA+/Stable</b>
<b>Cash Credit</b>	<b>50</b>	<b>CRISIL AA+/Stable</b>
<b>Letter of credit &amp; Bank Guarantee*</b>	<b>500</b>	<b>CRISIL A1+</b>
<b>Letter of credit &amp; Bank Guarantee*</b>	<b>50</b>	<b>CRISIL A1+</b>
<b>Letter of credit &amp; Bank Guarantee*</b>	<b>200</b>	<b>CRISIL A1+</b>
<b>Letter of credit &amp; Bank Guarantee*</b>	<b>500</b>	<b>CRISIL A1+</b>
<b>Proposed Long Term Bank Loan Facility</b>	<b>8</b>	<b>CRISIL AA+/Stable</b>

\*Letter of credit and bank guarantee are interchangeable with buyer's credit.

## Criteria Details

### Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p><b>Aveek Datta</b> Media Relations <b>CRISIL Limited</b> M: +91 99204 93912 B: +91 22 3342 3000 <a href="mailto:AVEEK.DATTA@crisil.com">AVEEK.DATTA@crisil.com</a></p> <p><b>Prakruti Jani</b> Media Relations <b>CRISIL Limited</b> M: +91 98678 68976 B: +91 22 3342 3000 <a href="mailto:PRAKRUTI.JANI@crisil.com">PRAKRUTI.JANI@crisil.com</a></p> <p><b>Rutuja Gaikwad</b> Media Relations <b>CRISIL Limited</b> B: +91 22 3342 3000 <a href="mailto:Rutuja.Gaikwad@ext-crisil.com">Rutuja.Gaikwad@ext-crisil.com</a></p>	<p>Anuj Sethi Senior Director <b>CRISIL Ratings Limited</b> B:+91 44 6656 3100 <a href="mailto:anuj.sethi@crisil.com">anuj.sethi@crisil.com</a></p> <p>Anand Kulkarni Director <b>CRISIL Ratings Limited</b> B:+91 22 3342 3000 <a href="mailto:Anand.Kulkarni@crisil.com">Anand.Kulkarni@crisil.com</a></p> <p>Nelisent Purti Senior Rating Analyst <b>CRISIL Ratings Limited</b> B:+91 22 3342 3000 <a href="mailto:Nelisent.Purti@crisil.com">Nelisent.Purti@crisil.com</a></p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a></p> <p>For Analytical queries: <a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a></p>



This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

### **About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)**

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit [www.crisilratings.com](http://www.crisilratings.com)

### **About CRISIL Limited**

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

---

#### **CRISIL PRIVACY NOTICE**

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit [www.crisil.com](http://www.crisil.com).

#### **DISCLAIMER**

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, [www.crisilratings.com](http://www.crisilratings.com) (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about ratings by CRISIL Ratings are available here: [www.crisilratings.com](http://www.crisilratings.com).

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, [www.crisilratings.com](http://www.crisilratings.com). For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at [crisilratingdesk@crisil.com](mailto:crisilratingdesk@crisil.com), or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>