



SMERA RATINGS LIMITED

Vikas Chemi Gums (India) Limited**Rating
Rationale****September 03, 2014**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	20.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (read as **SMERA single B minus**) to the Rs.20.00 crore long-term (fund based) bank facility of Vikas Chemi Gums (India) Limited (Vikas). The outlook is '**Stable**'. The rating is constrained by the company's low net profit margin and weak financial risk profile in an intensely competitive segment of the chemical industry. The rating is also constrained by the company's working capital-intensive operations and stretched liquidity position. However, the rating is supported by the company's experienced management.

Vikas, incorporated in 2001, is a Ganganagar-based company engaged in manufacturing of guar gum. Vikas's weak financial risk profile is marked by low net profit margin of 0.18 per cent in FY2012-13 (refers to financial year, April 01 to March 31). Moreover, the company's net profit of Rs.1.57 crore (in FY2012-13) is largely supported by non-operating income of Rs.14.44 crore. Vikas's interest coverage ratio is low at 1.79 times in FY2012-13. The company operates in an intensely competitive segment of the chemical industry. Vikas's stretched liquidity position is evidenced by high utilisation (100 per cent) of cash credit limit during December 2013 to July 2014.

Vikas benefits from its experienced management. Mr. Narender Jindal, director of Vikas, has around 12 years of experience in the company's line of business.

Outlook: Stable

SMERA believes Vikas will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability. The outlook may be revised to 'Negative' in case of decline in the company's revenues and profitability, or in case of deterioration in the company's financial risk profile.

About the company

Vikas, incorporated in 2001, is a Ganganagar-based company engaged in manufacturing of guar gum. Vikas has a manufacturing unit in Ganganagar (Rajasthan), with total production capacity of 9,900 metric tonnes per annum.

For FY2012-13, Vikas reported profit after tax (PAT) of Rs.1.57 crore on operating income of Rs.852.84 crore, as compared with PAT of Rs.1.68 crore on operating income of Rs.392.47 crore in FY2011-12. Further, the company reported operating income of Rs.670.00 crore (provisional) in FY2013-14. Vikas's net worth stood at Rs.14.54 crore as on March 31, 2013.

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*Rating
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