

December 16, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA BB- (Upgraded from SMERA B+/Stable)
Proposed Cash Credit	7.00	SMERA BB- (Upgraded from SMERA B+/Stable)
Letter of Credit	21.00	SMERA A4+ (Upgraded from SMERA A4)
Proposed Letter of Credit	20.00	SMERA A4+ (Upgraded from SMERA A4)

SMERA has upgraded the long-term rating of Vigyan Chemicals Private Limited (VCPL) to '**SMERA BB-**' (read as SMERA double B minus) from 'SMERA B+' (read as SMERA single B plus) and the short-term rating to '**SMERA A4+**' (read as SMERA A four plus) from 'SMERA A4' (read as SMERA A four). The outlook is '**Stable**'.

The upgrade reflects healthy growth in revenues and improvement in the financial risk profile backed by improvement in gearing to 1.35 times in FY2014-15 from 3.98 times in FY2013-14. The interest coverage ratio of the company has improved to 1.64 times in FY2014-15 from 1.38 times in FY2013-14. The promoters have infused Rs 4.00 crore of equity in FY2014-15. The ratings continue to be supported by the company's long track record of operations, experienced management and established relations with customers. However, the ratings remain constrained by intense competition in the chemical industry and susceptibility of the profit margins to fluctuations in raw material cost.

Update

VCPL registered healthy growth in revenue and improvement in company's gearing during FY2014-15. While revenue increased from Rs.104.70 crore in FY2013-14 to Rs.123.22 crore in FY2014-15, the gearing improved from 3.98 per cent in FY2013-14 to 1.35 per cent in FY2014-15. The interest coverage ratio increased from 1.38 times in FY2013-14 to 1.64 times in FY2014-15. SMERA believes VCPL will register healthy growth in revenues and profitability over the medium term owing to its strong order book position (pending orders of Rs.13.78 crore, likely to be executed by March 2016) and established relations with customers.

Outlook: Stable

SMERA believes VCPL will maintain a moderate business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with

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customers. The outlook may be revised to 'Positive' in case the company achieves higher-than-expected growth in revenues and substantial improvement in profitability. Conversely, the outlook may be revised to 'Negative' with stretch in the company's working capital management or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Improvement in working capital cycle

About the Company

VCPL, established in 2011, is a New Delhi-based company promoted by Mr. Sanjay Jain. The company is engaged in the processing and export of industrial chemicals at Kandla, Gujarat.

For FY2014-15, VCPL reported profit after tax (PAT) of Rs.0.64 crore on operating income of Rs.122.54 crore, as compared with PAT of Rs.0.49 crore on operating income of Rs.104.60 crore in FY2013-14. The company's net worth stood at Rs.6.95 crore as on March 31, 2015 as compared with Rs.2.34 crore a year earlier. VCPL reported operating income of Rs.74.21 crore (provisional) till October 31, 2015

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