



SMERA RATINGS LIMITED

## Vimal Plastics (VP)

**Rating  
Rationale****January 27, 2014**

Facilities	Amount(Rs. Crore)	Rating
Cash Credit	1.00	SMERA BBB-/Stable (Assigned)
Term Loan	0.52	SMERA BBB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BBB-' (read as SMERA Triple B Minus)** to the Rs.1.52 crore long-term bank facilities of Vimal Plastics (VP). The outlook is '**Stable**'. The rating is supported by the firm's long track record of operations, established relationships with reputed customers and healthy financial risk profile marked by low leverage, moderate profitability and strong debt protection metrics. However, the rating is constrained by the firm's small scale of operations and low capital base. The rating is also constrained by the firm's exposure to the intense competition prevalent in the plastic processing industry.

VP, established in 1981, is a Noida-based proprietorship firm engaged in manufacturing of injection moulded plastic components. The firm has long-standing relationships with several reputed customers including Oriflame India Private Limited, The Himalayan Drugs Co., Lotus Herbals Ltd. and Shahnaz Herbals. VP caters to the premium packaging segment.

VP has a strong debt protection metrics with leverage at 0.39 times as on March 31, 2013 and interest coverage ratio of 14.71 times in FY2012-13 (refers to financial year, April 01 to March 31). The firm's net profit margin (net profit before tax) is healthy at 10.65 per cent in FY2012-13. VP has a comfortable liquidity position with average working capital utilization of ~57 per cent during March 2013 to August 2013.

VP has a capex plan of adding machinery of Rs.2.00 crore in FY2013-14 which is likely to be funded with through a term loan of Rs.1.40 crore. However, SMERA believes that the capex plan may not have a material impact on the firm's financial risk profile.

VP is a relatively small player in a highly competitive and fragmented plastic processing industry. Despite a long track record of operations, the firm registered a modest total operating income of Rs.7.64 crore in FY2012-13. VP's profit margins are susceptible to volatility in raw material prices. The firm has a low capital base of Rs.3.34 crore as on March 31, 2013. Moreover, the proprietor withdraws around 50 per cent of the profits every year.

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### Outlook: Stable

SMERA believes the outlook on VP's rated facilities will remain stable over the medium term on account of the firm's experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' if the firm achieves higher-than-expected growth in revenues while maintaining profit margins and capital structure at comfortable levels. Conversely, the outlook maybe revised to 'Negative' in case of a steep decline in the firm's revenues and profit margins.

### About the firm

VP is a proprietorship concern established in 1981 by Mr. Vimal K. Fialoke. The firm is engaged in manufacturing of injection moulded plastic components such as flip top caps, bottles, serum bottles, -single and double walled jars, motorized and geared caps and pressed powder compact. VP caters to the premium packaging industry. The firm has an administrative office and a factory unit in Noida, Uttar Pradesh.

For FY2012-13, VP reported PBT of Rs.0.81 crore on operating income of Rs.7.64 crore as compared with PBT of Rs.0.60 crore on operating income of Rs.5.63 crore for FY2011-12. The firm's net worth stands at Rs.3.34 crore as on March 31, 2013 as compared with Rs.2.97 crore a year earlier.

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