

Press Release

29 May, 2017

Vimal Plastics

Rating Assigned

Total Bank Facilities Rated *	Rs.5.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of **SMERA BBB- (read as SMERA triple B minus)** on the Rs. 5.00 crore bank facilities of Vimal Plastics (VP). The outlook is '**Stable**'. Vimal Plastics is engaged in the manufacturing of injection moulded plastic components at Noida.

List of Key Rating Drivers and their detailed description

Strengths:

Healthy profitability margins: VP reported healthy profitability indicators on account of its reputed clientele that includes VLCC, Patanjali Ayurved Limited, Emami Limited among others. The firm reported increase in operating profit margin to 28.93 per cent in FY2016 from 20.42 per cent in FY2015.

SMERA believes that going forward, VP's profitability margins shall continue to be supported by its well established market position and customised products.

Comfortable financial risk profile: VP's credit profile continues to be supported by its comfortable financial risk profile marked by prudent gearing and healthy debt protection metrics. VP reported improvement in gearing to 0.45 times as on 31 March, 2016 from 0.99 times as on 31 March, 2015 on account of healthy net cash accruals of Rs. 4.14 crore in FY2016 (Rs. 2.39 crore in FY2015) and infusion of capital to the tune of Rs. 1.59 crore by the proprietor.

The rating also draws support from VP's healthy interest coverage ratio of 15.43 times in FY2016 as compared to 8.88 times in FY2015. SMERA expects VP's debt protection metrics to remain comfortable over the medium term on account of its healthy profitability indicators and conservative capital structure.

Experienced management: SMERA believes that VP will benefit substantially from its experienced management. The proprietor – Mr. Vimal Fialoke has long standing experience of over two decades in the plastic industry. VP is expected to continue to benefit from the proprietor's relationship with its marquee clients.

Weaknesses:

Modest scale of operations: The scale of operations of VP is modest. The firm reported operating income of Rs. 15.29 crore in FY2016 as compared to Rs. 13.15 crore in FY2015. SMERA believes that VP's ability to increase its scale of operations while maintaining profitability margins shall remain a key credit monitorable. VP may face challenges over the medium term in growing its scale of operations on account of its limited market share and increasing competitive pressure in the industry.

Exposure to movement in crude oil prices: SMERA believes that VP's operating cash flows shall remain susceptible to fluctuations in crude oil prices. Adverse movement in crude oil prices coupled with VP's limited bargaining power can adversely affect its debt servicing ability. Consequently, the firm's ability to pass on increase in raw material prices to its customers in the light of strengthening of crude oil prices shall remain a rating sensitivity factor.

Analytical approach: SMERA has taken a standalone view of the above entity.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that VP will maintain a stable outlook over the medium term on account of its experienced management, healthy profitability indicators and prudent capital structure. The outlook may be revised to 'Positive' in case of sustained increase in scale of operations while maintaining its profitability indicators. Conversely, the outlook may be revised to 'Negative' in case of substantial increase in gearing and/or higher than expected deterioration in profitability margins.

About the Rated Entity

VP established in 1981 as a proprietorship concern by Mr Vimal K. Fialoke is engaged in the manufacturing of injection molded plastic components at Noida, Uttar Pradesh.

The firm reported net profit of Rs. 3.33 crore on operating income of Rs.15.29 crore in FY2015-16, as compared with net profit of Rs.0.97 crore on operating income of Rs.13.15 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: NA

Rating History (Upto last three years)

Name of Instrument /Facilities	FY2018 (Current)			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Proposed Bank Facilities	LT	5.00	SMERA BBB- /Stable (Assigned)	-	-	-	-	-	-
Cash Credit	LT	-	-	10 sept, 2016	SMERA BBB- /Stable (Withdrawn)	-	-	27Mar,2015	SMERA BBB- /Stable (Reaffirmed)
Term Loan	LT	-	-	10 sept, 2016	SMERA BBB- /Stable (Withdrawn)	-	-	27 Mar,2015	SMERA BBB- /Stable (Reaffirmed)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB- / Stable (Assigned)

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ABOUT SMERA

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