

November 03, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	3.00	SMERA B-/Stable (Assigned)
Term Loan	0.06	SMERA B-/Stable (Assigned)
Letter of Credit	5.50	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B-**' (read as **SMERA B minus**) and '**SMERA A4**' (read as **SMERA A four**) to the above mentioned bank facilities of VPC and Co (VPC). The outlook is '**Stable**'. The ratings are constrained by the firm's weak financial risk profile marked by high gearing, weak interest coverage, stressed liquidity and declining revenue. The above mentioned risks are partially offset by the firm's experienced management.

Rating Sensitivity Factors

- Revenue scalability and healthy profitability
- Effective working capital management

Outlook: Stable

SMERA believes that the firm would continue to benefit from its experienced management. The outlook may be revised to "Positive" in case of improvement in firm's revenue scalability and profitability while maintaining effective working capital cycle. Conversely the outlook may be revised to "Negative" if there further decline in revenues and profitability, or elongation of working capital cycle.

About the Firm

Established in 2004, VPC is a Salem-based partnership firm engaged in the trading of scrap metal (ferrous and non-ferrous).

For FY2014-15, the firm reported net profit of Rs.0.06 crore on sales of Rs.14.73 crore as against net profit of Rs.0.10 crore on sales of Rs.17.83 crore in FY2013-14.

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Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Cell: +91-98208 02479 Email: antony.jose@smera.in Web: www.smera.in	Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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