

May 18, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	9.00	SMERA B+/Stable (Assigned)
Term Loan	1.00	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (**read as SMERA B Plus**) on the Rs.10.00 crore bank facilities of Vibgyor Paints and Chemicals Pondicherry (VPCP). The outlook is '**Stable**'. The rating is constrained by the moderate scale of operations, customer concentrated risk and capital intensive nature of business. The rating is also constrained by the high cost of borrowing and intense competition in the fragmented paint industry. However, the rating draws support from the experienced management and moderate financial risk profile.

### Outlook- Stable

SMERA believes that the firm will maintain a stable business risk profile over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm registers sustained growth in revenues while improving profitability and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

### Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Improvement in net worth and working capital requirement

### About the Firm

VPCP was established in 1986 by Mr. Ramamirtham, Mr. Vasudevan, and Mr. Kalachelvan. The firm is engaged in the manufacturing of paints and has well equipped R&D facilities with quality control. The manufacturing unit is located at Chennai and Vellore, Tamil Nadu.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.0.33 crore on operating income of Rs.27.57 crore, as compared with PAT of Rs.0.13 crore on operating income of Rs.25.71 crore for FY2013-14. The net worth stood at Rs.4.21 crore as on March 31, 2015 as compared with Rs.2.39 crore a year earlier.

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