

Vapi Pigments Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	6.50	SMERA B+/Stable (Assigned)
Term Loan I	0.04	SMERA B+/Stable (Assigned)
Term Loan II	1.02	SMERA B+/Stable (Assigned)
Proposed Long Term	0.44	SMERA B+/Stable (Assigned)
Inland Letter of Credit/Foreign Letter of Credit	5.00	SMERA A4 (Assigned)

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.13.00 crore bank facilities of Vapi Pigments Private Limited (VPPL). The outlook is '**Stable**'. The ratings are constrained by the company's declining revenue, low net profitability and working capital intensive operations. However, the ratings draw support from the extensive experience of the promoters and long track record of operations of the company.

VPPL, established in 1988 manufactures chemical pigments. The company's revenue declined from Rs.46.47 crore in FY2013-14 to Rs.32.42 crore in FY2014-15 on account of replacement of machinery and equipment during FY2014-15 and FY2015-16. The company reported revenue of Rs.26.50 crore (provisional) in FY2015-16. VPPL registered low net profit margin of 0.98 per cent in FY2014-15 as compared to 1.98 per cent in FY2013-14. The company has working capital intensive operations with gross current assets of 156 days in FY2014-15 as against 145 days in the previous year. The gearing stood comfortable at 1.52 times in FY2014-15.

However, the company has long track record of operations. The directors, Mr. Champak Amratlal Shah, Mr. Manish Shivedas Kothari, Mr. Ramdas Narayan Raman and others possess experience of more than three decades in the same line of business.

Rating Sensitivity Factor

- Improvement in revenues and profitability

Outlook-Stable

SMERA believes that VPPL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

The Gujarat-based VPPL, established as a partnership firm in 1988, was converted to private limited in 2009. The company headed by directors, Mr. Champak Amratlal Shah, Mr. Manish Shivdas Kothari, Mr. Ramdas Narayan Raman and others is engaged in the manufacture of chemical pigments.

For FY2014–15, the company reported profit after tax (PAT) of Rs.0.34 crore on operating income of Rs.34.42 crore, as compared with PAT of Rs.0.92 crore on operating income of Rs.46.67 crore in FY2013–14. The net worth stood at Rs.6.79 crore as on March 31, 2015 against Rs.6.47 crore a year earlier.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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