

## Press Release

23 February, 2018

**Vapi Pigments Private Limited**

**(VPPL)**

### Rating Reaffirmed



|                                     |  |
|-------------------------------------|--|
| <b>Total Bank Facilities Rated*</b> | Rs. 13.00 Cr.                            |
| <b>Long Term Rating</b>             | SMERA B+/Outlook: Stable<br>(Reaffirmed) |
| <b>Short Term Rating</b>            | SMERA A4 (Reaffirmed)                    |

\* Refer Annexure for Details

SMERA has reaffirmed the 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**'.

VPPL, a partnership firm, established in 1988 is engaged in the manufacture of chemical pigments namely, Chrome, CPC and Beta at Vapi, Gujarat. The company has installed capacity of 150 tonnes per month (Chrome pigments) and 150 tonnes (CPC and beta pigments) per month. The capacity utilisation is around 95 percent.

### Key Rating Drivers

#### Strengths

##### Long track record, experienced management

VPPL has been manufacturing chemical pigments for the last two decades. Chemical pigments are used in the manufacturing of plastic paints, colour paints and ink. The company is headed by Directors, Mr. Champak Amratlal Shah, Mr. Manish Shivdas Kothari, Mr. Ramdas Narayan Raman and others who possess extensive experience in the business.

##### Reputed clientele entailing repeat orders

VPPL has been catering to a reputed client base including Nerolac Paints, Sudarshan Inks, Meghmani Organics Limited for the last several years and benefits from repeat business.

##### Moderate financial risk profile

The financial risk profile of VPPL is moderate marked by net worth of Rs.6.97 crore as on 31 March, 2017 as compared to Rs.6.88 crore as on 31 March, 2016. The gearing stood at 1.09 times as on 31 March, 2017. The total debt of Rs.7.59 crore as on 31 March, 2017, consists of cash credit of Rs.6.41 crore and unsecured loan worth Rs.0.80 crore. The Interest Coverage ratio stood moderate but improved from 1.51 times in FY2015-16 to 1.76 times in FY2016-17.

## Weaknesses

### Modest scale of operations

The scale of operations is modest evident from the total operating income (TOI) of Rs.29.47 crore. The modest scale of operations and low net worth restricts the company's financial flexibility in case of exigency.

### Elongated operating cycle

VPPL's operations are highly working capital intensive marked by average operating cycle of around 139 days and high Gross Current Assets (GCA) of 207 days. Moreover, the company offers long credit period ranging from 60-90 days to its customers.

## Analytical Approach

SMERA has considered the standalone financials of VPPL.

## Outlook: Stable

SMERA believes that VPPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

## About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 29.47         | 24.49         | 34.42         |
| EBITDA                        | Rs. Cr. | 1.73          | 1.77          | 2.21          |
| PAT                           | Rs. Cr. | 0.09          | 0.09          | 0.34          |
| EBITDA Margin                 | (%)     | 5.87          | 7.23          | 6.42          |
| PAT Margin                    | (%)     | 0.29          | 0.35          | 0.98          |
| ROCE                          | (%)     | 8.10          | 8.74          | 9.78          |
| Total Debt/Tangible Net Worth | Times   | 1.09          | 0.94          | 1.52          |
| PBDIT/Interest                | Times   | 1.76          | 1.51          | 1.68          |
| Total Debt/PBDIT              | Times   | 4.25          | 3.49          | 4.53          |
| Gross Current Assets (Days)   | Days    | 207           | 256           | 190           |

## Status of non-cooperation with previous CRA (if applicable)

None

## Any other information

None

## Applicable Criteria

- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>

- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

**Note on complexity levels of the rated instrument:**

<https://www.smera.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

| Date          | Name of Instrument / Facilities                      | Term       | Amount (Rs Crore) | Ratings/Outlook                      |
|---------------|--|------------|-------------------|--------------------------------------|
| 01 Nov, 2017  | Cash Credit  | Long Term  | 6.50              | SMERA B+<br>*Issuer not co-operating |
|               | Term Loan-I  | Long Term  | 0.04              | SMERA B+<br>*Issuer not co-operating |
|               | Term Loan-II   | Long Term  | 1.02              | SMERA B+<br>*Issuer not co-operating |
|               | Proposed Long Term                                   | Long Term  | 0.44              | SMERA B+<br>*Issuer not co-operating |
|               | Inland Letter of Credit/<br>Foreign Letter of Credit | Short Term | 5.00              | SMERA A4<br>*Issuer not co-operating |
| 27 Sept, 2016 | Cash Credit  | Long Term  | 6.50              | SMERA B+/ Stable<br>(Assigned)       |
|               | Term Loan-I  | Long Term  | 0.04              | SMERA B+/ Stable<br>(Assigned)       |
|               | Term Loan-II   | Long Term  | 1.02              | SMERA B+/ Stable<br>(Assigned)       |
|               | Proposed Long Term                                   | Long Term  | 0.44              | SMERA B+/ Stable<br>(Assigned)       |
|               | Inland Letter of Credit/<br>Foreign Letter of Credit | Short Term | 5.00              | SMERA A4<br>(Assigned)               |

\*The issuer did not co-operate; based on best available information

**Annexure – Details of instruments rated**

| Name of the Facilities                               | Date of Issuance | Coupon Rate    | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook                  |
|--|------------------|----------------|---------------|-------------------------------|----------------------------------|
| Cash Credit  | Not Applicable   | Not Applicable | Not Available | 6.50                          | SMERA B+/ Stable<br>(Reaffirmed) |
| Inland Letter of Credit/<br>Foreign Letter of Credit | Not Applicable   | Not Applicable | Not Available | 4.35                          | SMERA A4<br>(Reaffirmed)         |

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|                    |                |                |               |      |                               |
|--------------------|----------------|----------------|---------------|------|-------------------------------|
| Proposed Long Term | Not Applicable | Not Applicable | Not Available | 2.15 | SMERA B+/ Stable (Reaffirmed) |
|--------------------|----------------|----------------|---------------|------|-------------------------------|

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|--|---|
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## ABOUT SMERA

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