

Press Release

24 March, 2017

V K Pack Well Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.23.00 Cr.
Long Term Rating	SMERA BB+/ Outlook: Stable
Short Term	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 23.00 crore bank facilities of V K Pack Well Private Limited. The outlook is '**Stable**'.

The Uttar Prasesh-based, V. K. Pack Well Private Limited (VKP) was incorporated in 2007 by Mr. Vikesh Kumar Gupta and Mrs. Sandhya Rani Gupta. The company is engaged in the manufacture of tarpaulins, irrigation pipes, vermicbeds, HDPE laminated fabrics among others at Kanpur. The installed capacity is 5500 metric tonnes per annum. The company has operations spread across Uttar Prasesh, Karnataka, Telangana and Rajasthan.

Key Rating Drivers

Strengths

- **Experienced promoters**

VKP was incorporated in 2007 by Mr. Vikesh Kumar Gupta and Mrs. Sandhya Rani Gupta (Directors), who possess experience of over three decades in the polymer industry.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by comfortable gearing and coverage indicators. The gearing stood at 0.21 times as on March 31, 2016 against 0.84 percent in FY2014-15. Moreover, the interest coverage ratio has been moderate at 2.86 times in FY2015-16 against 2.28 times in FY2014-15. The company registered operating margin of 7.82 per cent in FY2015-16 against 8.33 per cent in FY2014-15. The operating income has been moderate at Rs.71.49 cr in FY2015-16, an improvement from Rs.65.84 cr in FY2014-15. The company achieved operating income of ~Rs.50.00 cr till December 2016.

- **Wide product range**

The company offers a wide range of products including tarpaulin, laminated woven lay flat tube for irrigation, hdpe woven beds for vermiculture and several other. SMERA also notes that the company has patented the laminated polyethylene woven lay fabric pipe.

Weaknesses

- **Dependence on climate**

The business of the company is highly dependent on the climatic conditions since products such as tarpaulin are largely in demand during the summer and monsoon seasons. However, the risk is partially mitigated since the company has a wide range of products for use throughout the year.

- **Susceptibility to the volatility of raw material prices**

The key raw material used by the company is plastic granules which are procured domestically from companies such as Reliance Petro, GAIL among others and also imported from Qatar, Malaysia. The prices of these fluctuate. Hence, the profitability is exposed to volatility in raw material prices and forex fluctuation risk.

- **Competitive and fragmented industry**

The agriculture and polymer industries are highly competitive with several organised as well as unorganised players and low entry barriers. The company is exposed to intense competition in both the industries.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that VKP will maintain a stable outlook in the medium term owing to the established operations and long standing experience of the promoters in the business. The outlook may be revised to 'Positive' in case of improvement in revenue along with profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the debt protection matrices or lengthening of the working capital cycle.

About the Rated Entity - Key Financials

In FY2015-16 the company achieved operating income of Rs.71.49 cr with profit after tax (PAT) of Rs.0.71 cr as compared to operating income of Rs.65.84 cr with profit after tax of Rs.0.21 cr a year earlier. The networth stands at Rs.18.17 cr as on 31 March, 2016 as against Rs.14.42 cr a year earlier. The total Networth of Rs.18.17 cr includes quasi equity of Rs.11.33 cr as on 31st March 2016.

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

CRISIL Ratings in its press release dated 27 December, 2014 had inter-alia mentioned the following: 'CRISIL has suspended its ratings on the bank facilities of V. K. Packwell Pvt Ltd (VKPPL). The suspension of ratings is on account of non-cooperation by VKPPL with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, VKPPL is yet to provide adequate information to enable CRISIL to assess VKPPL's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information.'

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.55	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.11	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2022	10.00	SMERA BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.34	SMERA A4+

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ABOUT SMERA

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