

Press Release

Vijaya Polymers India Private Limited

April 04, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 30.00 crore bank facilities of Vijaya Polymers India Private Limited. The outlook is '**Stable**'.

The Hyderabad-based Vijaya Polymers India Private Limited (VPIPL) was incorporated in September, 2015 by Mrs. M.V. Sunitha Reddy, Mrs. G. Vijaya Lakshmi and Mr. Vaidyanathan Ramamurthy. The company is engaged in the manufacturing of HDPE pipes (in coil form and straight lengths) since August, 2016. The total production capacity is 10,000 tonnes per annum with current utilisation of 80 percent.

Key Rating Drivers

Strengths

• Experienced promoters

VPIPL was incorporated in 2015. The Directors, Mrs. M.V. Sunitha Reddy, Mrs. Vijaya Lakshmi and Mr. Vidyamanathan Ramamurthy have over a decade of experience in the aforementioned industry.

• Healthy order book position

VPIPL has healthy order book position marked by current orders in hand of ~Rs.70.00 cr to be executed by July-August 2017. The company has booked healthy revenue of Rs.40.25 cr as on January 2017.

• Reputed clientele base

VPIPL has a reputed clientele base and caters to the state governments of Andhra Pradesh, Orissa, Telangana apart from companies such as GVPR Engineers Limited, L&T among others.

Weaknesses

• Nascent stage of operations

VPIPL commenced commercial operations in August 2016 and booked revenue of Rs.40.25 cr in 10 months.

• Susceptibility of margins to volatility in raw material prices

VPIPL's margins are susceptible to volatility in raw material prices and fluctuations in forex rates. The company imports 80 per cent raw material (HDPE Resins) from Dubai and Saudi Arabia and procures the remaining 20 percent from local suppliers.

Analytical Approach

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

Outlook: Stable

SMERA believes that VPIPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while also maintaining operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

The networth of the company stood at Rs.1.46 crore for FY2015-16

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

None

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	31-Mar-2023	3.78	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	1.22	SMERA BB- / Stable

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ABOUT SMERA

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