

Press Release

Vijaya Polymers India Private Limited

June 15, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 32.00 Cr. (Enhanced from Rs. 30.00 Cr.)
Long Term Rating	ACUITE BB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed a long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of **ACUITE A4+ (read as ACUITE A four plus)** to the Rs. 32.00 crore bank facilities of Vijaya Polymers India Private Limited (VPIPL). The outlook is '**Stable**'.

Vijaya Polymers India Private Limited (VPIPL) was incorporated in September, 2015 as a private limited company by Ms. M.V. Sunitha Reddy and Ms. G. Vijaya Lakshmi. The company is engaged in the manufacturing of pipes mainly used for irrigation and drinking water purposes. The commercial operations of the company started in the month of August, 2016. VPIPL manufactures HDPE pipes which are available in coil form and straight lengths. The key raw material required is HDPE granules procured from IOCL in the domestic market and from Borouge and SABIC from UAE. The installed capacity is 960 tons per month utilized to the tune of 80 per cent. The company earns 30 per cent of its revenue from government clients and the rest is earned from private clients.

Key Rating Drivers

Strengths

• Experienced management

VPIPL was incorporated in the year 2015 and commercial operations started in August 2016. The directors Ms. M.V. Sunitha Reddy, Ms. G. Vijaya Lakshmi. Ms. M.V. Sunitha Reddy have over a decade of experience in manufacturing and construction enterprises. Ms. G. Vijaya Lakshmi has around two decade of experience in this line of business by virtue of their prior employment.

• Moderate order book position and reputed client base

The company has moderate order book position marked by current orders in hand of ~Rs.26.00 crore and expected to be executed by June 2018. The company has booked healthy revenue of Rs. 86.47 crore as on FY2018 (provisional).

The company has reputed clientele base and gets orders from Rural Water Supply and Sanitation Department, Mission Bhagiratha, Government of Telangana, Mega Lift Irrigation Projects, Government of Orissa, GVPR Engineers Limited, L&T etc. The company earns 30 per cent of its revenue from government clients and the rest is earned from private clients.

Weaknesses

• Moderate scale of operations

VPPL has started its commercial operations in August 2016 and booked revenue of Rs.45.09 crore in FY2017. The company has booked healthy revenue of Rs. 86.47 crore as on FY2018

(provisional).

• Susceptibility of margins to volatility in raw material prices and foreign exchange fluctuation risk

VPPL margins are susceptible to volatility in raw material prices and foreign exchange fluctuation risk. The key raw material required is HDPE granules which is a by-product of petroleum and thus is susceptible to raw material prices. The company imports substantial portion of raw materials from Dubai and Saudi Arabia. Adverse changes in prices may affect the profitability of the company.

Analytical Approach

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

Outlook: Stable

Acuité believes that VPIPL will continue to benefit over the medium term from its healthy order book position and reputed clients. The outlook may be revised to 'Positive' if company's scale of operations increases substantially, while also maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if company fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)
Operating Income	Rs. Cr.	45.09
EBITDA	Rs. Cr.	4.02
PAT	Rs. Cr.	1.32
EBITDA Margin	(%)	8.92
PAT Margin	(%)	2.94
ROCE	(%)	24.14
Total Debt/Tangible Net Worth	Times	2.48
PBDIT/Interest	Times	2.19
Total Debt/PBDIT	Times	4.89
Gross Current Assets (Days)	Days	217

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

None

Any other information

"ACUITE is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups"

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
------	---------------------------------	------	------------------	-----------------

23-04-2018	Cash Credit	Long Term	16.00	SMERA BB-/ Stable Issuer not cooperating*
	Term Loan	Long Term	3.78	SMERA BB-/ Stable Issuer not cooperating*
	Letter of credit	Short Term	4.00	SMERA A4+ Issuer not cooperating*
	Bank guarantee/Letter of Guarantee	Short Term	5.00	SMERA A4+ Issuer not cooperating*
	Proposed	Long Term	1.22	SMERA BB-/ Stable Issuer not cooperating*
4th Apr 17	Cash Credit	Long Term	16.00	SMERA BB-/ Stable (Assigned)
	Term Loan	Long Term	3.78	SMERA BB-/ Stable (Assigned)
	Letter of credit	Short Term	4.00	SMERA A4+ (Assigned)
	Bank guarantee/Letter of Guarantee	Short Term	5.00	SMERA A4+ (Assigned)
	Proposed	Long Term	1.22	SMERA BB-/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	CouponRate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB-/Stable (Reaffirmed)
Cash credit	Not Applicable	Not Applicable	Not Applicable	10.00 (reduced from Rs. 16.00 crore)	ACUITE BB-/Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	16.00 (increased from Rs. 4.00 crore)	ACUITE A4+ (Reaffirmed)

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Assigned)
------------------------------------	----------------	----------------	----------------	------	-----------------------

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Debalina Maity Analyst - Rating Operations Tel: 033-66201212 debalina.maity@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@acuite.in</p>

Disclaimer: An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuite.