

Press Release

Vasani Polymers Private Limited (VPPL)

08 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 17.20 Cr.
Long Term Rating	SMERA BB+/Stable (Assigned)

*Refer annexure for details

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the abovementioned bank facilities of Vasani Polymers Private Limited (VPPL). The outlook is '**Stable**'.

VPPL, incorporated in 2010 by Directors, Mr. Mahesh Patel and Mr. Pravin Patel is engaged in the manufacturing of pipes (including PVC, SWR, column, casing) of various sizes ranging from 20mm to 400mm with pressure capacity of 0.5 KPa to 10 KPa (KiloPascal) at Talod, Gujarat. The installed capacity stands at 20,000 MTPA. The products are sold under the Jaldhara, Sujlam and Vasani brand names and widely used in agriculture, irrigation, water distribution among others. The company is also a registered AA contractor for the Roads and Buildings Department of the government of Gujarat and undertakes civil contracts.

Key rating drivers

Strengths

Experienced management: VPPL is engaged in the manufacture of PVC and uPVC pipes since 2010. The Directors, Mr. Mahesh Patel and Mr. Pravin Patel possess experience of around two decades in the aforementioned business.

SMERA believes that VPPL will continue to benefit from its experienced management and diversified product range.

Healthy revenue trend: The company registered healthy revenue growth at a CAGR of 59 per cent from Rs.28.03 crore in FY2015 to Rs. 112.97 crore in FY2017. The company posted revenue growth of over 17 percent with operating income of Rs. 112.97 crore for FY2017 as against Rs.96.15 crore for FY2016. The significant growth in revenue is on account of the BIS certification and tie-up with the Sardar Sarovar Narmada Nigam Limited (SSNNL) project for laying of the underground pipe lines in FY2014-15 for supplying canal water. Further, the company registered revenue of Rs.80 crore from April, 2017 to December, 2017. Further, the company has orders in hand for laying 300 chuks (kms) of underground pipe to be executed by December 2018.

Further the company continues to benefit from the favourable demand outlook for PVC pipes, driven by the increasing government spending on irrigation work. The company has healthy orders in hand (from state governments).

Above average financial risk profile, comfortable liquidity position: The financial risk profile of VPPL is above average marked by networth of Rs.14.09 crore as on 31 March, 2017 as against Rs.10.82 crore as on 31 March, 2016 (The networth comprises interest bearing unsecured loan to the tune of Rs.6.12 crore which is subordinated to bank debt). The gearing remained comfortable at 0.74 times as on 31 March, 2017 as against 0.84 times in the previous year. The total debt of Rs.10.47 crore comprises working capital funding of Rs.6.53 crore, term loan of Rs.2.80 crore and current portion of long term debt of Rs.1.14 crore as on 31 March, 2017. The ICR remained moderate at 2.81 times in FY2017 as against 2.26 times in FY2016 with DSCR of 1.38 times and 1.45 times for FY2017 and FY016. The working capital cycle stood at 37 days in FY2017 over 26 days in FY2016. However the average bank limit has been almost fully utilised as confirmed by the banker.

Weaknesses

Declining operating margins, tender based business, fluctuations in raw material prices: The operating margins registered a decline. The EBITDA margins fell to 3.02 percent in FY2017 over 4.58 percent in FY2018 and 6.50 percent in FY2015 mainly on account of the tender based business. Also, the company is susceptible to volatility in raw material prices as PVC resin (major component of raw material) is derived from crude oil.

Highly fragmented PVC pipes industry: VPPL operates in a highly competitive PVC pipes industry with much pressure on pricing power. The company is exposed to stiff competition from other integrated players resulting in limited pricing flexibility for the company. Further, there are several organised and unorganised players in the same business.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of VPPL to arrive at the rating.

Outlook: Stable

SMERA believes that VPPL will maintain a stable outlook over the medium term owing to its extensive experienced of the management. The outlook may be revised to 'Positive' in case the company registers sustainable profit margins, healthy net cash accruals and maintains healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues amidst intensifying competition in its area of operations, or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	112.97	96.15	28.03
EBITDA	Rs. Cr.	3.42	4.41	1.82
PAT	Rs. Cr.	1.19	1.68	0.15
EBITDA Margin	(%)	3.02	4.58	6.50
PAT Margin	(%)	1.05	1.75	0.54
ROCE	(%)	13.37	18.25	11.79
Total Debt/Tangible Net Worth	Times	0.74	0.84	1.54
PBDIT/Interest	Times	2.81	2.26	1.70
Total Debt/PBDIT	Times	3.06	2.07	6.96
Gross Current Assets (Days)	Days	70	65	195

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): ICRA has classified Vasani Polymers Private Limited in the 'ISSUER NOT COOPERATING' category due to non-submission of monthly 'No Default Statement' ("NDS") by the entity vide their press release dated November 15, 2017.

Rating History for the last three years: None

*Annexure - Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loan	NA	NA	NA	3.20	SMERA BB+/ Stable (Assigned)
Cash Credit	NA	NA	NA	14.00#	SMERA BB+/ Stable (Assigned)

includes sublimit of bank guarantee to the extent of Rs.3.50 crore

includes sublimit of FLC/ILC to the extent of Rs.3.50 crore

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Pawan Punmaji, Rating Analyst, Tel: +91-22-6714 1352 Email: pawan.punmaji@smera.in	

ABOUT SMERA

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