Acuite RATINGS & RESEARCH

Press Release

Vinayak Polymers Inc

October 31, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+' (read as ACUITE B plus)** and short term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs. 10.00 crore bank facilities of Vinayak Polymers Inc. The outlook is **'Stable'**.

Established in 2007 Vinayak Polymers Inc is engaged in trading of polymers such as polypropylene (PP), polyethylene (PE), and high-density polymers (HDP). The firm is associated with reputed suppliers namely GAIL (India) Limited, Indian Oil Corporation Ltd (IOCL), and Haldia Petrochemicals Ltd (HPL). It also procures from domestic traders and companies based in Korea, Taiwan, Saudi Arabia, and Iran.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the VPI to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

  VPI was established in 2007 as a partnership firm and is currently managed by Mr. Rahul Agarwal and Mr. Ankit Agarwal who have been associated with the industry for more than a decade. The experience of the promoters has helped the firm in maintaining healthy relations with its customers and suppliers which in-turn helps the firm to secure repeat orders. From FY2018, VPI has become an authorized consignment stockiest for GAIL and Brahmaputra Cracker and Polymer Limited (BCPL) for their Hyderabad location.

Weaknesses

- **Average financial risk profile**

  The financial risk profile of the firm is characterized by relatively low networth, high gearing and moderate debt protection measures. The networth base of the firm stood at Rs.8.57 crore as on March 31, 2018 (Provisional) against Rs.8.48 crore as on March 31, 2017. The gearing of the company stands high at 2.14 times as on March 31, 2018 (Provisional) as compared to 2.70 times as on March 31, 2017. The total debt of Rs. 18.34 crore as on March 31, 2018 (Provisional) includes long term loans of Rs. 0.23 crore, interest bearing unsecured loans from promoters Rs. 1.94 crore and short term working capital borrowings of Rs.16.18 crore. The interest coverage ratio (ICR) stood at 1.13 times in FY2018 (Provisional) against 1.18 times in the previous year. The net cash accruals to total debt (NCA/TD) stands at 0.02 times in FY2018 (Provisional) as compared to 0.03 times in FY2017. Total outside liabilities to tangible networth (TOL/TNW) stood high at 5.67 times as on March 31, 2018 (Provisonal) against 7.77 times as on March 31, 2017. Acuité believes that improvement in the financial risk profile of VPI will be a key rating sensitivity

- **Working Capital Intensive**

  VPI's operations are working capital intensive which is evident from high gross current assets days of 161 days during FY2018 (Provisional). These necessitates working capital requirement as major funds gets blocked in its debtors. Collection period stood high at 124 days in FY 2018 (Provisional) an increase from 82 days in FY 2017. Working capital requirements are almost fully utilized.

Outlook: Stable

Acuité believes that the outlook of VPI will remain `Stable' over the medium term on account of its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the firm is able to scale up operations while maintaining healthy customer profile and effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the scale of operations resulting in fall in cash accruals or deterioration of the capital structure or cost of fund.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	120.14	181.79	199.29
EBITDA	Rs. Cr.	3.77	4.02	2.82
PAT	Rs. Cr.	0.33	0.54	0.37
EBITDA Margin	(%)	3.14	2.21	1.42
PAT Margin	(%)	0.28	0.30	0.18
ROCE	(%)	13.05	14.15	21.84
Total Debt/Tangible Net Worth	Times	2.14	2.70	2.57
PBDIT/Interest	Times	1.13	1.18	1.19
Total Debt/PBDIT	Times	4.68	5.55	6.36
Gross Current Assets (Days)	Days	161	147	143

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4

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About Acuité Ratings & Research:
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