

January 17, 2014

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>28.00</b>	<b>SMERA B-/Stable (Assigned)</b>
<b>Term Loan</b>	<b>16.83</b>	<b>SMERA B-/Stable (Assigned)</b>
<b>Letter of Credit</b>	<b>5.00*</b>	<b>SMERA A4 (Assigned)</b>

\*LC is carved out of Cash Credit and is interchangeable with Cash Credit.

SMERA has assigned a long-term rating of '**SMERA B-**' (read as SMERA single B minus) and '**SMERA A4**' (read as SMERA A four) to the Rs.49.83 crore bank facilities of Vectus Industries Limited (VIL). The outlook is '**Stable**'. The ratings are primarily constrained by the company's stretched liquidity position as reflected in high utilisation of cash credit limit and auditor's reservation on utilisation of short-term funds for long-term purpose. However, the ratings are supported by the company's healthy revenue growth, diversified product portfolio, widespread geographical reach and experienced management.

VIL, established in 2004, is a Gwalior-based company engaged in manufacturing of pipes, fittings and water tanks. VIL has a stretched liquidity position as reflected in gross current assets of 120 days in FY2012-13 (refers to financial year, April 01 to March 31). The company's cash credit limit is almost fully utilised during August 2013 to December 2013. Moreover, there are instances of overdrawing in the company's cash credit account during the aforementioned period. SMERA believes VIL's weak liquidity position will adversely affect the company's resource mobilisation ability, thereby constraining future growth in revenues and operational efficiency amidst intense competition prevalent in the pipes and water tanks industry. Moreover; VIL's auditor has expressed reservation on the company utilising its short-term funds for long-term purpose in FY2012-13.

VIL's revenues increased at a healthy compound annual growth rate (CAGR) of 37 per cent during the past four years. The company benefits from a diversified product portfolio comprising propylene random copolymer (PPR) pipes, soil, waste and rain water (SWR) pipes and polyvinyl chloride (PVC) pipes, which are used in construction, agriculture, industrial and household applications. VIL has a pan-India marketing network comprising 400 dealers, 20,000 distributors and nine sales depots. The company benefits from its experienced management. Mr. Atul Ladha and Mr. Ashish Baheti, directors of VIL, have more than a decade of experience in the pipes and water tank industry.

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**Outlook: Stable**

SMERA believes that VIL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues with significant improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's working capital management.

**About the company**

VIL, established in 2004, is a Gwalior-based company promoted by Mr. Atul Ladha and Mr. Ashish Baheti. VIL is engaged in manufacturing of pipes, fittings and water tanks. The company has four manufacturing units located in Haridwar (Uttarakhand), Kashipur (Uttarakhand), Gwalior (Madhya Pradesh) and Bangalore (Karnataka), with a total installed capacity of 7.20 crore litres for water tanks and 15,000 metric tonnes for pipes.

For FY2012-13, VIL reported PAT of Rs.11.93 crore on operating income of Rs.199.72 crore, as compared with PAT of Rs.6.85 crore on operating income of Rs.143.76 crore for FY2011-12. The company registered revenues of Rs.150.00 crore during April 2013 to December 2013. VIL's net worth stood at Rs.42.53 crore as on March 31, 2013, as compared with Rs.29.74 crore a year earlier.

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