



SMERA RATINGS LIMITED

Verve Cement Additives Private Limited (VCAPL)

*Rating
Rationale***March 24, 2014**

Facilities	Amount (Rs. Crore)	Rating
Term Loan	4.70	SMERA C (Assigned)
Cash Credit Limit	1.00	SMERA C (Assigned)

SMERA has assigned a rating of '**SMERA C' (read as SMERA C)** to the Rs.5.70 crore bank facilities of Verve Cement Additives Private Limited (VCAPL). The rating is constrained by the implementation risk inherent in the company's debt-funded project. The rating is also constrained by the company's exposure to product saleability risk. However, the rating is supported by the company's qualified and experienced management.

VCAPL, incorporated in September 2011, is a Pune-based company established to undertake the business of manufacturing finely ground fly ash, which is used as an additive in the preparation of concrete. The company's project cost is estimated at Rs.7.04 crore, which is funded through promoter's contribution of Rs.1.34 crore, bank borrowing of Rs.4.70 crore and unsecured loans (from related parties) of Rs.1.00 crore. The term loan repayment will commence from August 2014. VCAPL has also availed cash credit limit of Rs.1.00 crore for working capital requirements. The company planned to commence commercial operations by November 2013; however the project execution was delayed due to unavailability of adequate funds. VCAPL is now likely to commence commercial operations by March 2014.

VCAPL plans to employ a new technology (developed by Mr. Satyanarayan Arya, director of VCAPL) for grinding fly ash into superfine fly ash. Mr. Satyanarayan Arya has also applied for patent of the said technology. However, product saleability is a key rating sensitivity as the company has not entered into formal selling agreements. Moreover, post commencement of commercial operations, VCAPL will be highly dependent on various inherently-cyclical industries, including cement, infrastructure and power.

VCAPL is poised to benefit from its qualified and experienced management. Mr. Satyanarayan Arya, director of VCAPL, is a mechanical engineer with around four decades of experience in the cement industry. Mr. Sandeep Nair, director of VCAPL, has around two decades of experience in engineering construction industry.

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About the company

VCAPL, incorporated in September 2011, is a Pune-based company promoted by Mr. Satyanarayan Arya and Mr. Sandeep Nair.

VCAPL is established to undertake the business of manufacturing finely ground fly ash. The company is setting up a factory unit in Daund, Pune (Maharashtra), with an installed capacity of 1,20,000 metric tonnes per annum (MTPA). The commercial operations are likely to commence by March 2014.

VCAPL's net worth stood at Rs.0.01 crore as on March 31, 2013.

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