

April 10, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	6.00	SMERA B+/Stable (Assigned)
Forward Contract	0.78	SMERA A4 (Assigned)

**Fully interchangeable with letter of credit*

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA single B plus**) and '**SMERA A4**' (read as **SMERA A four**) to the above-mentioned bank facilities of Valsons Enterprises (VE). The outlook is '**Stable**'. The ratings are constrained by the firm's limited track record of operations, low tangible net worth and weak profitability in an intensely competitive segment of the polymers industry. The ratings are also constrained by the susceptibility of the firm's profit margins to inventory price risk and fluctuations in foreign exchange rates. However, the ratings are supported by the firm's experienced management and sound liquidity position.

VE, established in 2010, is a Mumbai-based proprietorship firm engaged in trading of polymers and chemicals. VE procures ~70 per cent of its material requirements through imports. The firm's net worth is low at Rs.1.63 crore as on March 31, 2013. VE's profit of Rs.0.30 crore in FY2012-13 (refers to financial year, April 01 to March 31) is largely supported by foreign exchange fluctuation gains of Rs.0.50 crore. The firm faces intense competition from several players in the polymers industry. VE's profitability is susceptible to volatility in prices of polymers. The firm's profit margins are also exposed to inventory price risk and foreign exchange rate fluctuations. However, VE takes forward cover on ~80 per cent of its imports, thereby mitigating forex fluctuation risk.

VE benefits from its experienced management. Mr. Jagdish Bhuta, proprietor of VE, has around three decades of experience in the plastic industry. The firm has a sound liquidity position, as reflected in low average utilisation (~46 per cent) of bank facilities during September 2013 to February 2014.

Outlook: Stable

SMERA believes that VE will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in case of stretch in the firm's working capital cycle, or in case of deterioration in the firm's profitability and financial risk profile.

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About the firm

VE, established in 2010, is a Mumbai-based proprietorship firm promoted by Mr. Jagdish Bhuta. VE is engaged in trading of various types of polymers and chemicals, including low-density polyethylene (LDPE) granules, linear low density polyethylene (LLDP) granules, polyvinyl chloride (PVC), polystyrene, high-density polyethylene (HDPE) granules and polypropylene (PP) granules. VE mainly imports plastic granules from Korea, Qatar and Taiwan. The firm has two warehouses, one in Daman (Daman and Diu) and the other in Bhiwandi (Maharashtra).

For FY2012-13, VE reported profit of Rs.0.30 crore on total operating income of Rs.26.05 crore, as compared with profit of Rs.0.08 crore on total operating income of Rs.9.85 crore for FY2011-12. VE's net worth stood at Rs.1.63 crore as on March 31, 2013, as compared with Rs.0.96 crore a year earlier. The firm registered total operating income of Rs.43.85 crore (provisional) during April 2013 to February 2014.

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