



Press Release

VCI Chemicals Industries Private Limited

July 16, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Instruments/Facilities	120.00	IVR BB-; Stable (IVR Double B minus with stable outlook)	-	Assigned	Simple
Short Term Instruments/Facilities	1.80	IVR A4 (IVR A four)	-	Assigned	Simple
Total	121.80 (Rupees one hundred twenty one crore and eighty lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of VCI Chemical Industries Private Limited (VCIPL) derives comfort from its experienced promoters, easy access to raw materials with low offtake risk and entitlement to receive various subsidies as per Odisha Government Industrial Policy Resolution (IPR) 2022. However, these rating strengths are partially offset by its project implementation and stabilisation risk, susceptibility of operating margin to volatile raw material prices, competitive nature of the industry and exposure to government regulations and various statutory approvals.

The stable outlook of the company is assigned based on expectation that the company will complete the ongoing project within envisaged timeline and scale up the operations post implementation underpinned by satisfactory project progress and in place off take contracts.

Key Rating Sensitivities:

Upward Factors

- Scaling up of turnover and profitability as envisaged
- Successful completion of project without any time or cost overrun and stabilization of project as envisaged.

Downward Factors



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- Lower than envisaged sales and profitability thus impacting the cash flow and liquidity of the company.
- Any changes in Govt. policies impacting the business of the company
- Delay in completion of the project with cost overrun.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and reputed promoters**

The promoters of the company, Mr. Ram Krishan Gupta and Mr. Subham Gupta have an experience of more than 44 years and 13 years respectively in chemical manufacturing industry by virtue of being the managing director of Vikrant Chemico Industries P Ltd and Vikrant Industries P Ltd respectively. Mr. Ram Krishan Gupta started the FMCG vertical of Vikrant Chemico Industries Pvt Ltd under the famous brand “Doctor” in 1980, which is one of the renowned brands under Phenyle and disinfectant category in India.

- **Easy access to raw materials**

VC IPL is setting up a manufacturing unit in Kalinga Nagar Industrial Area, Jajpur (Orissa) which is surrounded by various steel manufacturers. Hence, the availability of raw material is adequate while the company saves on logistics costs for procuring the raw material.

- **Low offtake risk**

VC IPL has entered into an off-take agreement with one of its associate companies named Vikrant Chemical Industries (VCI), Abu Dhabi for the period of eight years to supply its manufactured coal tar pitch.

- **Low raw material procurement risk**

The company has also entered into a Memorandum of Understanding (MoU) with Tata Steels Limited (TSL) for supply of coal tar which is valid till March 2025. The company is to ensure that legally binding agreement for supply is executed before commencing supply of product by TSL. Hence, raw material procurement risk is mitigated to an extent.



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- **Entitled to receive various subsidies as per Odisha Government Industrial Policy Resolution (IPR) 2022**

The proposed project of VCIPL comes under the priority sectors as per the Odisha Government Industrial Policy Resolution (IPR) 2022. Hence, VCIPL is entitled to receive ~30% capital investment subsidy on investment made in Plant & Machinery to be disbursed over a period of 10 years with no upper ceiling, reimbursement of Power Tariff of Rs.2.00 per unit for all power consumed for a period of 7 years, 100% exemption from payment of electricity duty for a period of 7 years, reimbursement of 100% of net SGST paid for a period of 7 years, overall limited to 200% of the cost of plant and machinery, 100% exemption of Stamp duty and land registration charges and 100% reimbursement of ESI/EPF for 5 years, for skilled and semi-skilled workers.

Key Rating Weaknesses

- **Project implementation and stabilisation risk**

VCIPL is setting up a coal tar distillation plant for manufacturing of various value-added products like light oil, dephenolised carbolic oil, crude phenol, refined naphthalene, crude naphthalene, methylnaphthalene oil, low naphthalene wash oil, carbon black oil, etc at a total proposed project cost of Rs.172.57 crore, to be funded by promoter's contribution of Rs.52.57 crore (Equity of Rs.45.10 crore and Unsecured Loans from Directors (quasi equity) of Rs.7.47 crore) and term debt of Rs.120.00 crore i.e., at a debt equity ratio of 2.28:1. VCIPL has already incurred Rs.11.82 crore as on May 23, 2024 towards the project through equity infusion. The company intends to start its commercial operation from October 1, 2025. Financial closure for term loan has been achieved. Timely completion of the project and stabilisation and ramp-up in sales remain critical. Further, the business is susceptible to regulatory challenges amid strict environmental policies.

- **Susceptibility of operating margin to volatile raw material prices**

With raw material costs accounting for majority of the overall cost, VCIPL's profitability will be vulnerable to volatility in raw material (key ingredients – coal tar) prices. The price of Coal tar, being a product of bituminous coal, is affected by factors such as output value of the secondary industry, Gross National Product, the retail price index, the cost of coal and coal supply. However, the risk is partly mitigated by regular revision



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of prices for coal by the Government on regular intervals based on the prevailing raw material prices.

- **Competitive nature of the Industry**

Being present in an industry with the presence of a number of large and established players, the company is exposed to competition, which may limit its pricing flexibility and bargaining power with customers.

- **Cyclical nature of end user industries**

The key user industry for Coal tar pitch is aluminium and graphite as a result of which the company is expected to see significant dependence on these two cyclical industries for its revenues and operating margins.

- **Exposure to government regulations and various statutory approvals**

As the project is at its initial stage the Company needs to obtain various approvals before, during and after the implementation phase of the project. VCIPL has registered itself for single window clearance for all approvals through Industrial Promotion & Investment Corporation of Odisha Limited (IPICOL) which is the Nodal Agency. However, VCIPL, with the existing reputation of the group/promoters and with the support of its experienced professional team will be able to mitigate this risk.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The project is under construction which is funded by debt equity mix of 2.28:1 with proposed term loan of Rs 120.00 crore. The repayment will begin from July 2026. The company is also eligible to receive various government subsidies including 30% capital investment subsidy on investment made in Plant & Machinery to be disbursed over a period of 10 years with no upper ceiling, power incentives, employment incentives, and other special incentives. These



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subsidies are expected to support the debt repayment capabilities of the company. Overall, the liquidity of the company seems to be adequate.

About the Company

VCI Chemical Industries Private Limited (VCIPL), part of Vikrant Group was incorporated on 31st May 2021 by Gupta family to set up and operate a 112000 MTPA coal tar distillation Plant for manufacturing of various value-added products at its manufacturing unit to be located at Village Jakhapura, Kalinga Nagar Industrial Area, Jajpur 755019, Odisha.

Financials (Standalone): Not available. VCIPL is a project stage company and is yet to commence its operations.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	120.00	IVR BB-; Stable	-	-	-
2.	CEL	Short Term	1.80	IVR A4	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Sep 2032	120.00	IVR BB-; Stable
CEL	-	-	-	-	1.80	IVR A4

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-VCI-Chemical-16July24.pdf>



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Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

