



Press Release

Vijayneha Polymers Private Limited (VPPL)

September 28, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	164.05 (Increased from 127.16)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Revised	Simple
Short Term Bank Facilities	18.50 (Increased from 10.50)	IVR A3+ (IVR A Three Plus)	Revised	Simple
Total	182.55 (Rupees One Hundred Eighty Two crore and Fifty Five lacs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Vijayneha Polymers Private Limited (VPPL) factors in the improvement in the profitability and scalability of the company in FY22. The ratings continue to factor in the long track record of promoters in the packaging industry and reputed client base with relatively low counter-party payment risk. The ratings are, however, constrained by VPPL's working capital intensive operations and susceptibility of VPPL's profitability to volatility in the price of raw material.

Key Rating Sensitivities

Upward Factor

- Sustained & substantial improvement in the total operating income & EBITDA margin.
- Significant improvement in debt protection parameters and liquidity position of the company.



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Downward Factor

- Any major debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.
- Any decline in operating income and/or EBITDA margin to deterioration in overall financial risk profile of the company.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Extensive experience of the promoters in flexible packaging industry

VPPL is promoted by Mr. Shiv Kumar Gupta and Mrs. Chandra Bhaga Gupta. The company promoters remained well experienced in the flexible packaging industry and cumulatively carries more than six decades of experience in the industry. The company's manufacturing unit remains strategically located at Rangareddy, Hyderabad with adequate connectivity to various parts of the country. The company's installed capacity remains 26370 MTPA for flexible packaging material while 15000 MTPA for high-end packaging material

Reputed clientele in the customer mix of the company.

VPPL's customer mix comprises of reputed customers from FMCG, food and beverages, speciality films and pharmaceuticals Industry. Reputed client base and high creditworthiness of the customers reduces the credit counterparty risk to an extent. These customers have year on year provided the necessary repeated business to the company. Further dilution of the customer concentration will be a key monitorable, going forward.



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Improvement in profitability and scalability of the company

VPPL's total operating income increased by 25% from Rs.337.58crore in FY21 to Rs.421.36 crore in FY22 (provi). Top line of the company increased due to increase in demand of products in domestic market. Profitability also improved in FY22 compared to FY21. Profit before tax improved from Rs.6.28crore in FY21 to Rs.17.61crore in FY22. Profit after tax improved by more than 300% in FY22 compared to FY21. VPPL registered profit after tax of Rs.12.94 crore as on March 31st 2022) compared to Rs.3.44 crore as on March 31st 2021. In Q1FY23 VPPL has achieved the revenue of Rs.118.20 crore (Q1FY22: Rs.85.20 crore). FY22 financials are provisional.

Key Rating Weaknesses

Vulnerability to raw material price fluctuation and high competition

VPPL profitability remains vulnerable to movements in raw material prices which are linked to the price of crude, which exhibits high volatility. Further, highly competitive intensity on relatively commoditized product and presence of large number of unorganised players also restricts margin expansion.

Working capital intensive operations

The operations of the company are working capital intensive in nature on account of high inventory holding. VPPL's operating cycle increased from 113 days in FY21 to 117 days in FY22 mainly on account of elongation in the inventory holding period from 90 days in FY21 to 96 days in FY22. The average utilization of the working capital limits stood at 98.32% for the 12 months ended August 2022.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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



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Liquidity- Adequate

VPPL's liquidity position is adequate. The liquidity position of the company is expected to remain adequate as the company is expected to generate sufficient cash accruals to meet the repayment obligations during FY23. The average working capital utilisation for 12 months ending August 2022 has been 98.32%. Current ratio and quick ratio were 1.23x and 0.64x respectively as on March 31, 2022. VPPL has cash & cash equivalents of Rs.5.12 crore as on March 31st 2022.

About the Company

Incorporated in 2003, Vijayneha Polymers Pvt Ltd (VPPL) is a Hyderabad, Telangana based company engaged in the business of manufacturing plastic flexible and high-end packaging materials covering polythene carry bags, multilayer films and laminated pouches both with and without printing, thin wall containers, aluminium foils, tree guards, and mosquito nets. The company is promoted by Mr. Shiv Kumar Gupta and Mrs. Chandra Bhaga Gupta who have two to four decades of experience in packaging industry and other allied line of businesses.

Financials (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Operating Income	337.58	421.36
EBITDA	27.98	39.24
PAT	3.22	12.94
Total Debt	167.03	174.29
Adjusted Tangible Net Worth	100.44	119.09
Ratios		
EBITDA Margin (%)	8.29	9.31
PAT Margin (%)	0.95	3.07
Overall Gearing Ratio (Adj.) (x)	1.64	1.46

*As per Infomerics' standards

Status of non-cooperation with previous CRA: Nil



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Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (September 22, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Cash Credit	Long Term	101.00	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
2	Term Loan	Long Term	39.62	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
3	Term Loan (GECL)	Long Term	23.43	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
4	Bank Guarantee	Short Term	5.50	IVR A3+	IVR A3	-	-
5	Vendor Financing	Short Term	10.00	IVR A3+	-	-	-
6	Letter of Credit	Short Term	3.00	IVR A3+	IVR A3	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



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Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan – HDFC Bank	-	-	May 27 2026	9.99	IVR BBB/ Stable
Term Loan – SVC Bank	-	-	Sept 30, 2025	14.73	IVR BBB/ Stable
Term Loan (Fresh) – SVC Bank	-	-	April 28 2029	14.90	IVR BBB/ Stable
GECL- HDFC Bank	-	-	Feb 28, 2026	11.25	IVR BBB/ Stable
GECL (Ext) – HDFC Bank	-	-	Mar 31, 2028	3.20	IVR BBB/ Stable
GECL - Yes Bank	-	-	Dec 28, 2025	1.66	IVR BBB/ Stable
GECL - SVC Bank	-	-	Mar 31, 2028	2.78	IVR BBB/ Stable
GECL - SBI	-	-	Dec 20, 2025	2.89	IVR BBB/ Stable
GECL (Ext) -SBI	-	-	Feb 28, 2028	1.65	IVR BBB/ Stable
Cash Credit	-	-	-	101.00	IVR BBB/ Stable
Letter of Credit	-	-	-	3.00	IVR A3+
Vendor Financing	-	-	-	10.00	IVR A3+
Bank Guarantee	-	-	-	5.50	IVR A3+



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Vijayneha-sep22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

