

Press Release

Vinni Chemicals Private Limited

May 08, 2019

Ratings

| Sl. No. | Instrument/Facility | Amount (Rs. Crore) | Rating Assigned |
|---------|-----------------------------|--------------------|---|
| 1. | Long Term Fund Based Limits | 8.37 | IVR BB/ Stable Outlook (IVR Double B with Stable Outlook) |
| | Total | 8.37 | |

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from experience promoters and management, reputed clientele and comfortable gearing and debt coverage indicators. The rating however is constrained by moderate scale of operations, working capital intensive nature of operations and customer concentration risk. Scale of operation, overall gearing and working capital management are the key rating sensitivities.

List of key rating drivers with detailed description

Key Rating Strengths

Experienced promoters and management

Mr. Harsh Vardhan Jain, the C.E.O. of the company, has an experience of more than Nineteen Years in the Automotive and industrial chemical manufacturing. He has been an active part of Bureau of Indian Standard in the field of Automotive Coolant and Brake fluid and has been instrumental in creating the respective Indian standards. He is also Part of SAE Brake Fluid Committee & ASTM Coolant Group. He looks after New product development, R&D, Marketing and operations and day to day affairs of the company. The promoters are assisted in the day-to-day operations by a team of experienced professionals having relevant industry experience.

Reputed clientele

The company has well established relations and has long term contracts in place with various reputed companies like Indian Railways, State Transport Corporations, Government of India (Indian Defence) Progressive Lubrication and many third party branding companies.

Comfortable gearing and debt coverage indicators

Overall gearing of the company has been comfortable as on the last three account closing days. Long term debt equity ratio stood at 1.02x as on March 31st 2018 and interest coverage ratio at 3.48x as on March 31st 2018.

Key Rating Weakness

Moderate scale of operation

The company's topline, although increased from Rs.19.36 crore in FY17 to Rs.20.25 crore in FY18 due to an increase in the manufacturing segment, continues to remain modest.

Working capital intensive nature of operations

The company has working capital intensive operations of about 149 days. The operations of the company are expected to remain working capital intensive over the medium term.

Customer concentration risk

The company's top customer constitutes major revenues in the manufacturing division. However, the average collection days being in the range of 40-60 days and good standing of the customers negate the customer concentration risk significantly.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

Liquidity

Vinni Chemicals Private Limited is expected to generate sufficient cash accruals over the medium term as against their small repayment obligations which is expected to lead to a comfortable liquidity position for the company.

About the Company

Vinni Chemicals Private Limited, Incorporated in 1986, is a IATF 16949, ISO 9001 & ISO 14001 company and is headed by its C.E.O. Mr. Harsh Vardhan Jain, who has nineteen years experience in field of Automotive & Industrial chemicals. The company is situated in Barotiwala, an industrial town of Himachal Pradesh. Vinni Chemicals has a strong R&D background with strength of many formulations of Coolants, Brake Fluid, Fuel Additives etc. and over the years has gained immense recognition for their quality and pricing. Presently the company is having international tie with Prestone to manufacture and market their acclaimed "Prestone" antifreeze coolant for India, Africa and Asia Pacific Region making Vinni Chemicals OEM's to FORD, GM and many more companies. Vinni Chemicals also Caters to the Indian railways (Corrosion Inhibitor- X GT Engine Protector), state transport corporations (Bus Fleet namely APSRTC, BEST etc) and many Private Brands.

Financials (Standalone)

(Rs. crores)

| For the year ended* / As On | 31-03-2017 (Audited) | 31-03-2018 (Audited) |
|------------------------------------|---------------------------------|---------------------------------|
| Total Operating Income | 19.36 | 20.25 |
| EBITDA | 2.76 | 2.95 |
| PAT | 0.88 | 0.90 |
| Total Debt | 7.22 | 9.26 |
| Tangible Networkth | 3.27 | 4.18 |
| EBITDA Margin (%) | 14.25 | 14.58 |
| PAT Margin (%) | 4.53 | 4.45 |
| Overall Gearing Ratio (x) | 2.21 | 2.22 |

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

| Sl. No. | Name of Instrument/ Facilities | Current Rating (Year 2019-20) | | | Rating History for the past 3 years | | |
|---------|-----------------------------------|-------------------------------|--------------------------------|------------------------|---|---|---|
| | | Type | Amount outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2018-19 | Date(s) & Rating(s) assigned in 2017-18 | Date(s) & Rating(s) assigned in 2016-17 |
| 1. | Fund Based Limits | Long Term | 8.37 | IVR BB/ Stable Outlook | -- | -- | -- |

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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 |
|-----------------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Long Term Fund Based Limits | -- | -- | -- | 8.37 | IVR BB/Stable Outlook |