

Infomerics Valuation And Rating Pvt. Ltd.

Vikas Multicorp Limited

July 25, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Bank Facilities- Long Term	40.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
2.	Bank Facilities- Short Term	14.70	IVR A3+ (IVR A Three Plus)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from its experienced promoters and management, government regulation, low gearing ratio, stability of group companies and synergies between the companies. These strengths are partially offset by its working capital intensive operations and foreign exchange fluctuation risk. Profitability, working capital management, improvement in collection period and scale of operations are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and Management

Promoter of the Vikas group, Mr. Vikas Garg has an experience of 18 years in the petrochemical industry. Vikas group began operating as a trader of Petrochemical products and subsequently entered into manufacturing business. Mr. Garg is assisted in the day to day operations by highly qualified and experienced professionals possessing rich experience in their respective industries.

Strict government regulations will boost the business

Government is promoting policies to improve the climate, like EPR (extended producer responsibility) and other amendments in plastic management rules in 2016 regarding the plastic specification and defining the producer responsibility for recycling of the waste products. This

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government focus is expected to improve the need for specialized process to recycle the plastic waste.

Stable Position of the group and synergies between the companies

Vikas Ecotech Limited (VEL), which is the flagship company of Vikas group, is engaged in manufacturing of polymers and additives. The group has established its own network leveraging on the past experience of promoters and related parties. Vikas Group (VML and VEL both) is controlled by the same set of promoters. By virtue of being part of Vikas group, VML has the advantage of operational synergies. The manufacturing facilities of both VEL and VML are located in close proximity to each other leading to operational and logistical synergies.

Low gearing ratio

The capital structure of the combined financials of the group entities was comfortable with an overall gearing ratio of 0.85x as on March 31, 2019 (0.56x on March 31, 2018), while Total outside liabilities to Tangible Net worth ratio stood at 1.65x (0.99x as on March 31, 2018).

Key Rating Weaknesses

Working Capital intensive operations

It is a working capital intensive operation. Collection period for the group stood at more than 200 days for FY19, while average creditor days were 97 days, thus increasing the working capital requirement. Average utilization of working capital limits of VML was around 83% over the past 12 months.

Foreign exchange fluctuation risk

There is high dependence on imports and exports in the business; this exposes the company to foreign exchange fluctuation risk. VML does not follow any hedging strategy as periodic inflows are offset by periodic outflows.

Analytical Approach & Applicable Criteria:

Consolidated

Rating Methodology for Trading & Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

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Liquidity

The Group is projected to maintain an adequate level GCA and the same is expected to increase gradually with increase in scale of operation. Going forward, the long term debt is likely to reduce indicating lower debt servicing obligations. The Group maintains moderate cash and bank balance to meet its liquidity requirements. The combined interest coverage ratio for the group was 2.05x in FY19. Bank limits were utilized up to ~83%. The Current and Quick ratio for Group were moderate at 1.42x and 1.03x respectively as on March 31, 2019. Interest coverage ratio of VML is also moderate at 1.33x for FY19. All these factors indicate adequate degree of liquidity support to the company in meeting its debt obligations.

About the Company

VML was incorporated in 1995. VML is engaged in the trading of various specialty chemicals, compounds, polymers M S Pipes, PVC Resins, plastic granules, styrene butadiene. Vikas Multicorp limited has begun an additional vertical in FY18, which is manufacturing unit of PVC off Grade compound, the unit was acquired by them in pursuant to demerger of Vikas Ecotech Limited. Vikas Ecotech limited incorporated in 1984, head office in Delhi. Company manufactures polymer compounds, plasticizers, flame retardants, Organotin stabilizers. VEL serves to clients of various industries including agriculture, food packaging, wires and cables, automobile, footwear, health and pharma, infrastructure, plastic, polymers and others.

Financials (Consolidated):

	(Rs. crore)	
For the year ended*	31-03-2018	31-03-2019
	Consolidated	Consolidated
Total Operating Income	415.88	450.20
EBITDA	62.42	45.03
PAT	28.24	18.33
Total Debt	162.01	197.25
Tangible Net worth	288.85	231.82

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For the year ended*	31-03-2018	31-03-2019
EBITDA Margin (%)	15.01	10.00
PAT Margin (%)	6.74	4.00
Overall Gearing Ratio (x)	0.56	0.85

*Classification as per Infomerics' standards

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	200.89	219.88
EBITDA	9.69	8.25
PAT	1.48	1.93
Total Debt	20.03	39.24
Tangible Net worth	162.31	89.54
EBITDA Margin (%)	4.82	3.75
PAT Margin (%)	0.74	0.88
Overall Gearing Ratio (x)	0.12	0.44

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

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Rating History for last three years:

Sr. 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.	Long Term Fund Based Limits – Cash Credit	Long Term	40.00*	IVR BBB/Stable	-	-	-
2.	Short Term Non- Fund Based Limits – Letter of Credit/Bank Guarantee	Short Term	14.70	IVR A3+	-	-	-

* Facility includes sublimit of PCFC-5 crore; FDBP-2 crore

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



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Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 Bank Facilities- Cash Credit	-	Various	On demand	40.00*	IVR BBB/Stable
Short Term Bank Facilities – Letter of Credit/Bank Guarantee	-	-	Less than one year	14.7	IVR A3+

* Facility includes sublimit of PCFC-5 crore; FDBP-2 crore