

June 15, 2010

CARE ASSIGNS 'CARE BBB' AND 'PR3' RATINGS TO THE BANK FACILITIES OF VISHAKHA POLYFAB PVT. LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	31.23	'CARE BBB' (Triple B)	Assigned
Short-term Bank Facilities	6.00	'PR3' (PR Three)	Assigned
Total Facilities	37.23		

Rating Rationale

The ratings take into account the established operations of Vishakha Polyfab Pvt. Ltd. (VPPL) in multilayer flexible packaging industry having strong business association with Adani Wilmar Ltd. (AWL), (which also holds 50% stake in VPPL and contributes to significant share of its revenue). The ratings also derive strength from VPPL's stable profitability margins, its increasing presence in the niche segments of 7 and 9 layer packaging films along with its expanding customer base, thereby reducing customer concentration risk. However, the ratings are constrained by the relatively small size of the company with low net worth base, its working capital intensive nature of operations resulting in moderate liquidity position and risk associated with volatility in raw material prices. The risk associated with relatively large sized successively debt funded capex further constrained the ratings. VPPL's ability to successfully reap the benefits of ongoing/planned capex, manage the risk associated with fluctuation in raw material prices and improvement in overall financial risk profile will remain the key rating sensitivities.

Company Profile

VPPL was jointly promoted by AWL and Doshi family of Ahmedabad in 2001 to cater to the growing demand for flexible packaging (*especially from AWL*) by manufacturing high-strength multi layer flexible packaging films.

The product profile of VPPL consist of Ethylene vinyl alcohol copolymer (EVOH)/Nylon based multi-layer high barrier films that can be used for packaging of an array of products such as edible oil/ghee, dairy products, dry fruits, frozen foods, pickles, pharmaceutical products, etc. With planned/ongoing capex resulting in addition of capacity in 9 and 7 layer segments, VPPL is expected to add around 3000 MTPA production capacity to its current 6780 MTPA capacity in the flexible packaging segment by Q1FY10.

¹Complete definition of the ratings assigned are available at www.careratings.com

VPPL reported total income of Rs.55.97 crore, 31% higher than previous year while PBILDT margin and PAT margin remained at 13.37% and 4.23% respectively during FY09. The long term debt equity and overall gearing remained at 0.43 times and 1.09 times as on Mar.31, 2009.

Total income for the 9-months ended Dec.31,'09 (Provisional) was Rs.53.95 crore with a PBILDT margin of 13.04% and PAT margin of 4.16%.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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