

Vihita Chem Private Limited

| Instrument | Amount | Rating Action |
|--|---|----------------------------------|
| State Bank of India - Term Loan | Rs. 4.02 [^] crore (enhanced from Rs. 1.75 crore) | [ICRA]BB (Stable) reaffirmed |
| State Bank of India - Cash Credit | Rs. 7.00* crore (enhanced from Rs. 4.50 crore) | [ICRA]BB (Stable) reaffirmed |
| State Bank of India - Standby Line of Credit | Rs. 0.80 crore | [ICRA]BB (Stable) reaffirmed |
| State Bank of India - Letter of Credit | Rs. 0.30 crore (reduced from Rs. 0.90 crore) | [ICRA]A4+ upgraded from [ICRA]A4 |
| State Bank of India - Bank Guarantee | Rs. 0.10 crore | [ICRA]A4+ upgraded from [ICRA]A4 |

**consists EPC/FBD/PCFC/EBR limit of Rs. 3.75 crore (enhanced from Rs. 1.70 crore), a sub-limit of cash credit facility*

[^] comprise two term loans of Rs. 1.27 crore and Rs. 2.75 crore

The Proposed Cash Credit Limit of Rs. 1.50 crore previously rated [ICRA]BB (Stable) is now nil

The Unallocated Limit of Rs. 0.45 crore previously rated [ICRA]BB(Stable)/[ICRA]A4 is now nil

ICRA has reaffirmed the long-term rating at [ICRA]BB (pronounced ICRA double B) and has upgraded the short-term rating to [ICRA]A4+ (pronounced ICRA A four plus) from [ICRA]A4 (pronounced ICRA A four) for Rs. 12.22-crore¹ (enhanced from Rs. 10.00 crore) line of credit of Vihita Chem Private Limited (VCPL)². The outlook on the long term rating is “Stable”.

The short-term rating upgrade of VCPL positively takes into account the reduced inventory holding in business which has facilitated reduced reliance on external working capital borrowings and improvement in cost structure caused by reduction in raw material consumption costs (gaining support from the continuous R&D efforts as reflected in improving trend in operating profitability). The ratings also continue to favourably factor in the promoter’s experience of more than two decades in the chemical intermediates industry, the reputed customer base in domestic as well as international markets and the company’s diversified product profile.

The ratings, however, are constrained by the high reliance on external debt, which has been availed for funding on-going as well as new capex plans. The ratings also continue to take into account the modest scale of operations due to low capacity utilisation levels and the competitive pressure from both domestic and international players. Though the company benefits from medium-term pricing mechanism with institutional clients to some extent, stocking renders vulnerability to raw material price risks, some of which are crude oil price derivatives. While the company has been able to record a y-o-y improvement in profitability over the last three years, sustainability of the same will be a key monitorable.

ICRA notes that efficiency in utilisation of the existing capacity is critical to ramp up operations in the medium term. Therefore, the firm’s ability to render the new unit operational in the current fiscal and improve the overall production efficiency are the key drivers for improving the utilisation levels, which at present remains low at ~40%. Nevertheless, with constant addition of new products to its portfolio and new process patents filed, there are avenues for revenue growth in the near term.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications



About the Company

Incorporated in 1990, Vihita Chem Private Limited (VCPL or the company) manufactures chemical intermediaries which find application in the drugs and pharmaceuticals, flavours and fragrances, bio-chemicals, explosive sectors and agro industries. VCPL has three manufacturing facilities located in two campuses in Ankleshwar, Gujarat. The company is accredited with ISO 9001:2008, ISO 14001:2004 and ISO 18001 (Occupational Safety and Health Management Systems - OSHAS). The company also has a research and development department which has been involved in the development of new processes and products. The registered office is located at Ankleshwar, Gujarat.

VCPL is promoted and managed by Mr. MM Patel and Mr. Vital M Patel and closely held by members of the Patel family. Mr. M M Patel, a Chemical Engineering graduate has been actively engaged in the operations of the company since its inception and has experience of more than two decades.

Recent results

VCPL recorded a net profit of Rs. 1.51 crore on an operating income of Rs. 33.75 crore for the year ended on March 31, 2016 (provisional).

August 2016

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