

Rating Rationale

Brickwork Ratings assigns ‘BWR B+’ for the Bank Loan Facilities aggregating ₹ 3.88 Cr of Vivala Cartons Private Limited.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the bank loan facilities of Vivala Cartons Private Limited (“VCPL” or “the Company”):

Bank Facility	Limits (₹ Cr)	Tenure	Rating*
Term Loans	1.38	Long Term	BWR B+ (Pronounced BWR B Plus) Outlook: Stable
Cash Credit	2.50		
Total	3.88	INR Three Crores & Eighty Eight Lakhs only	

BWR has essentially relied upon the Company’s audited financial results of FY14, provisional financials of FY15, publicly available information and the information/clarifications provided by the Company.

The rating draws strength from the extensive industry experience of the management and long standing relationships with reputed customers. However, the rating is constrained by the small scale of operations, competition in the industry leading to limited pricing power, susceptibility of VCPL's operating profitability to volatility in raw material prices, below average financial risk profile marked by low net worth, thin profitability and high gearing and working capital intensive nature of operations.

Background:

Vivala Cartons Private Limited (VCPL) was incorporated in 1994 by Mr. Sasi Kumar at Erragadda, Hyderabad, Telangana. Later in 2007, VCPL was acquired by Ms. M Radhika, Ms. Sheetal Ladda and Ms. Rameshwari Ladda. The Company is engaged in manufacturing of packaging products like corrugated boxes, laminated corrugated boxes etc. VCPL is an ISO 9001:2008 Certified Company. The Company is associated with reputed clients like AgroTech Foods Limited, Britannia Industries Limited, The Andhra Pradesh Paper Mills Limited, Pepsico India Holdings Private Limited, Dr Reddy’s Laboratories Limited, Gland Pharma Limited, Pearl Beverages Limited, UB Spirits Limited, John Distilleries Limited. The packaging products manufactured by VCPL are used in various sectors like FMCG, Pharma industry, Paper industry and Beverage industry etc.

Management:

Mrs. M Radhika is the Managing Director. The Company has a team of qualified professionals to take care of the day to day activities.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

Operating Income was almost flat at Rs19.87 Cr in FY 14 as against Rs19.99 Cr in FY 13. Profit after tax for FY 14 was Rs0.18 Cr as against loss of Rs0.28 Cr for FY 13. On a provisional basis, VCPL has reported Total Operating Income of Rs19.33 Cr for FY15.

Rating Outlook:

The rating outlook is expected to remain stable over the current year. Going forward, the ability of the Company to enhance its scale of operations, improve its profitability, strengthen its overall financial risk profile and manage its working capital efficiently will remain key rating sensitivities.

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