

Rating Update

September 11, 2024 | Mumbai

Vivid Global Industries Limited

Update as on September 11, 2024

This update is provided in continuation of the rating rationale below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Significant increase in revenue while maintaining operating margin leading to accruals of over Rs 4 crore on sustained basis
- Improvement in working capital cycle

Downward factors:

- Decline in revenue further by over 20% and dip in operating margin on sustained basis leading to lower-than-expected cash accrual.
- Further stretch in working capital cycle resulting in weakening of financial risk profile and liquidity.

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Vivid Global Industries Limited (VGIL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

Incorporated in 1989 and promoted by Mr Sudhir Mody and Mr Sumish Mody, VGIL (formerly, Vivid Chemicals Ltd) manufactures dye intermediaries at its facilities in Vapi, Gujarat; and Tarapur, Boisar, Maharashtra. The company is listed on the Bombay Stock Exchange.

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Rating Rationale

July 19, 2023 | Mumbai

Vivid Global Industries Limited

Long-term rating downgraded to 'CRISIL BB/Stable'; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.18 Crore
Long Term Rating	CRISIL BB/Stable (Downgraded from 'CRISIL BB+/Stable')
Short Term Rating	CRISIL A4+ (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has downgraded its rating on the long term bank facilities of Vivid Global Industries Limited (VGIL) to '**CRISIL BB/Stable**' from '**CRISIL BB+/Stable**'. The short term rating has been reaffirmed at '**CRISIL A4+**'

The downgrade reflects moderation in business risk profile of the company on account of lower demand which has resulted in dip in revenue and operating margin. The company's operating performance is expected to remain subdued over near term and will remain key monitorable.

Company's scale of operations has declined by more than 20% in fiscal 2023 to Rs 36.19 crore against fiscal 2022. Operating margins have dipped in fiscal 2023 to 1.74% compared to 5.6% for fiscal 2022 on account of volatile raw material prices. Consequently, company has generated lower than expected accruals. Deterioration in the business performance has further resulted in weakening in the financial risk profile with networth of Rs 14.7 crore as on March 31, 2023.

The ratings continue to reflect the established relationship of the company with its customers, extensive experience of the promoters in chemical industry, and moderate debt financial risk profile. These strengths are partially offset by modest scale of operations and working capital intensive nature of operations.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive experience of the promoters and their established relationships with customers:** Promoters have an experience of over two decades in the Dye and Dye Intermediaries segment and have established relationships with suppliers and customers. The promoters have developed a strong understanding of the industry dynamics, which has helped them successfully navigate several business cycles as well as build long standing relationships with customers.
- **Moderate financial risk profile:** Financial risk profile is marked by a moderate networth of Rs 14.7 crore and comfortable gearing of 0.16 time and TOLANW of 1.36 times as on March 31, 2023. Debt protection metrics were average, with interest coverage and net cash accrual to adjusted debt ratios of 2.02 times and 0.27 time, respectively, in fiscal 2023. CRISIL Ratings believes that financial risk profile will continue to remain moderate supported by networth.

Weaknesses:

- **Modest scale of operations amidst intense competition:** Company's scale of operations has declined in fiscal 2023, to Rs 36 crore on account of decline in demand in both domestic and international market. Impact of change in raw material prices on demand and operating margin to remain rating sensitivity factor.
- **Large working capital requirement:** Gross current assets (GCA) has remained in range of 160-230 days over past 3 years through March 31, 2023 with inventory of 116 days and debtors of 70 days as on March 31, 2023. Overall GCA

days are expected to remain in the same range over medium term.

Liquidity: Stretched

Liquidity is marked by expected modest net cash accruals to be over Rs 1.25 crore against marginal repayment obligations over medium term. Bank Limit utilization is 50% for last 12 months ending March 2023. Company has cash and cash equivalent of Rs 3.02 crore (Encumbered & unencumbered) as on March 31,2023. Liquidity will be supported by promoter if required. No major capex plans over medium term.

Outlook: Stable

CRISIL Ratings believes VGIL will continue to benefit from the extensive experience of its promoters and their established relationships with customers

Rating Sensitivity factors

Upward factors:

- Significant increase in revenue while maintaining operating margin leading to accruals of over Rs 4 crore on sustained basis
- Improvement in working capital cycle

Downward factors:

- Decline in revenue further by over 20% and dip in operating margin on sustained basis leading to lower-than-expected cash accrual.
- Further stretch in working capital cycle resulting in weakening of financial risk profile and liquidity.

About the Company

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Key Financial Indicators

Particulars	Unit	2023	2022
Revenue	Rs.Crore	36.2	46.11
Profit After Tax (PAT)	Rs.Crore	(0.19)	1.42
PAT Margin	%	(0.52)	3.07
Adjusted Debt/Adjusted Networkth	Times	0.16	0.29
Interest coverage	Times	2.02	6.27

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Export Packing Credit & Export Bills Negotiation/Foreign Bill discounting	NA	NA	NA	6	NA	CRISIL BB/Stable
NA	Letter of Credit	NA	NA	NA	12	NA	CRISIL A4+

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	6.0	CRISIL BB/Stable		--	20-07-22	CRISIL BB+/Stable		--	11-11-20	CRISIL BB+/Stable	CRISIL BB+/Stable

			--		--	25-02-22	CRISIL BB+/Stable		--		--	--
Non-Fund Based Facilities	ST	12.0	CRISIL A4+		--	20-07-22	CRISIL A4+		--	11-11-20	CRISIL A4+	CRISIL A4+
			--		--	25-02-22	CRISIL A4+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Export Packing Credit & Export Bills Negotiation/Foreign Bill discounting	6	Kotak Mahindra Bank Limited	CRISIL BB/Stable
Letter of Credit	12	Kotak Mahindra Bank Limited	CRISIL A4+

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Chemical Industry
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