

Press Release

Vimal Enterprises

February 24, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 6.00 crore bank facilities of Vimal Enterprises. The outlook is '**Stable**'.

Vimal Enterprises (VE), established in 2001, is a Mumbai-based partnership firm promoted by Mr. Dhaval Jain and Mr. Dilip Jain. The firm is engaged in the construction of roads, bridges, irrigation projects and buildings.

Key Rating Drivers

Strengths

- **Healthy profitability**

The firm has been operating at healthy margins of 10.99 per cent for FY2016 and 16.75 per cent for FY2015 with PAT margins of 5.46 per cent for FY2016 and 7.77 per cent for FY2015.

- **Efficient working capital management**

The working capital cycle is marked by GCA (gross current assets) of 73 days in FY2016 as against 160 days in FY2015 on account of inventory days of 19 in FY2016 and 160 days in FY2015. The debtor days stood at 54 in FY2016. Further, the working capital limits have remained underutilised.

Weaknesses

- **Modest scale of operations**

VE has modest scale of operations marked by operating income of Rs.8.15 crore in FY2015-16 as against Rs.3.03 crore in FY2014-15. The firm achieved revenue of Rs.3.50 crore from April to December 2016. Further, VE has moderate order book position of Rs.19.25 crore.

- **Average financial risk profile:**

The financial risk profile is marked by high gearing and moderate coverage indicators. The ICR (interest coverage) stood at 1.98 times in FY2016 as against 1.97 times in FY2015. The Gearing (debt-to-equity ratio) stood at 3.11 times as on 31 March 2016 as against 1.96 times as on 31 March 2015. The total debt mainly comprises unsecured loan raised through promoters. The tangible net worth stood low at Rs.1.94 crore as on 31 March 2016.

- **High dependency on government contracts**

The nature of operations of VE are tender based. The firm caters largely to government organisations such as PWD (Public Work Department). Any delay in project execution or in receipts from the government are likely to result in higher working capital requirements. However, the said risk is mitigated since VE has established relations with state government departments.

- **Partnership constitution**

Being a partnership firm, VE is exposed to the inherent risk of capital withdrawal.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Vimal Enterprises (VE).

Outlook: Stable

SMERA believes that VE will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to Positive in case the firm registers more than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to Negative in case of higher working capital requirements increasing the pressure on margins.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.45 crore on operating income of Rs.8.15 crore, as compared with net profit of Rs.0.24 crore on operating income of Rs.3.03 crore in FY2014-15. The net worth stood at Rs.1.94 crore as on March 31, 2016 as against net worth of Rs.1.83 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4

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