March 11, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan I	**1.00**	**SMERA B+/Stable (Assigned)**
Term Loan II	**0.97**	**SMERA B+/Stable (Assigned)**
Export Packing Credit / PCFC	**7.00**	**SMERA A4 (Assigned)**
Post Shipment Packing Credit / RUBF	**7.40**	**SMERA A4 (Assigned)**
Bills Discounting	**2.30**	**SMERA A4 (Assigned)**
Letter of Credit	**2.00**	**SMERA A4 (Assigned)**
Letter of Guarantee	**2.00**	**SMERA A4 (Assigned)**
Export Packing Credit / PCFC (proposed)	**1.30**	**SMERA A4 (Assigned)**
Post Shipment Packing Credit / RUBF (proposed)	**1.30**	**SMERA A4 (Assigned)**
Letter of Guarantee (proposed)	**1.00**	**SMERA A4 (Assigned)**

SMERA has assigned a long-term rating of '**SMERA B+' (read as SMERA single B plus)** and a short-term rating of '**SMERA A4' (read as SMERA A four)** to the abovementioned bank facilities of Vardhman Exports (VE). The outlook is '**Stable'**. The ratings draw comfort from the firm's experienced management and comfortable coverage indicators. However, the ratings are limited by the firm's small-scale operations, elongated working capital cycle and moderate gearing level. The ratings note that the firm's financial profile is susceptible to withdrawal of capital.

VE, established in 1993, is a Mumbai-based partnership firm engaged in manufacturing and export of pharmaceutical products. VE benefits from its experienced management. Mr. Lalit Shah, partner of VE, has around two decades of experience in the pharmaceutical industry. VE has comfortable coverage indicators, with interest coverage ratio of 2.19 times and debt service coverage ratio of 1.93 times in FY2013–14 (refers to financial year, April 01 to March 31).

VE has small-scale operations marked by revenues of Rs.31.67 crore in FY2013–14. The firm's operations are working capital-intensive, as reflected in gross current assets (GCA) of 327 days in FY2013–14. VE's gearing is moderate at 1.91 times as on March 31, 2014. The firm's financial profile is susceptible to withdrawal of capital by partners.

Outlook: Stable

SMERA believes VE will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in scale of operations while achieving sustained improvement in profitability and working capital management. The outlook may be revised to 'Negative' in case the firm fails to achieve the projected growth in revenues, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the firm

VE, established in 1993, is a Mumbai-based partnership firm promoted by Mr. Lalit Shah. VE is engaged in manufacturing and export of pharmaceutical products.

For FY2013–14, VE reported profit after tax (PAT) of Rs.0.79 crore on operating income of Rs.31.67 crore, as compared with PAT of Rs.0.71 crore on operating income of Rs.25.70 crore in FY2012–13. The firm's net worth stood at Rs.10.19 crore as on March 31, 2014, as compared with Rs.9.60 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in	Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in