

June 01, 2015

Facility	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>10.00</b>	<b>SMERA BB-/Stable (Assigned)</b>

SMERA has assigned a long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) to the abovementioned bank facility of Vidhata Industries Private Limited (VIPL). The outlook is '**Stable**'. The rating is supported by the company's strong revenue growth and moderate gearing. However, the rating is constrained by significant fluctuations in the company's operating profit margins. The rating factors in risks related to the company's underutilised production capacity and stretched liquidity. The ratings are also constrained by the company's exposure to intense competition in the plywood business.

VIPL, incorporated in 2008, is a Ludhiana-based company engaged in manufacturing and trading of plywood. VIPL has registered strong revenue growth during the period under study. The company's operating income increased from Rs.1.68 crore in FY2010 to Rs.72.86 crore (provisional) in FY2014–15. VIPL's gearing (debt-equity ratio) is moderate at 2.15 times (provisional) as on March 31, 2015 (12.79 times as on March 31, 2014).

VIPL's operating profit margins have fluctuated in the range of 4–17 per cent during the period under study (FY2010–11 to FY2014–15). The company derives ~85 per cent of its revenues from trading activity. VIPL's production capacity is underutilized at present; however, the management plans to increase focus on manufacturing operations.

VIPL's working capital cycle is stretched at 91 days in FY2014–15 (provisional). The company's utilisation of cash credit limit was high at 97 per cent during September 2014 to March 2015. VIPL faces intense competition from several players in the plywood business.

### **Outlook: Stable**

SMERA believes VIPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while achieving stable profit margins and efficient working capital management. The outlook may be revised to 'Negative' in case of decline in the company's revenues and profit margins, or in case of stretch in the company's working capital cycle.

### **About the company**

VIPL, incorporated in 2008, is a Ludhiana-based company promoted by Mr. Vishal Juneja and Mr. Amit Juneja. VIPL undertakes manufacturing and trading of plywood.

For FY2014–15 VIPL reported profit after tax (PAT) of Rs.0.44 crore (provisional) on operating income of Rs.72.86 crore (provisional), as compared with PAT of Rs.0.41 crore on operating income of Rs.48.89 crore in FY2013–14. VIPL's net worth stood at Rs.9.37 crore (provisional) as on March 31, 2015, as compared with Rs.1.78 crore a year earlier.

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