

Press Release

VR COATINGS PRIVATE LIMITED

15 February, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA BB/Outlook: Stable
Short Term Rating	SMERA A4+

**Refer annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of VR Coatings Private Limited. The outlook is '**Stable**'.

V R Coatings Private Limited (VRCPL) was incorporated in 1985 by Mr. D'Souza and family. The Pune-based company, led by Mr. Vincent D'Souza (Managing Director), is engaged in the manufacturing of pneumatically driven airless spray painting and dispensing equipments.

Key rating drivers

Strengths

Established track record of operations

VRC was incorporated in 1985 by Mr. D'Souza and family who possess experience of more than two decades in the industry.

Established relations with reputed clientele

The company is engaged in the manufacturing and installation of pneumatically driven airless spray painting and dispensing equipments used in several industries including automobile, aeronautics, pharmaceuticals among others. VRCPL also caters to the railways, and defence services.

The company has a reputed client base including Tata Motors, Mahindra & Mahindra, Garden Reach Shipbuilders & Engineers Ltd., Ford to name a few.

Improving operating margins

VRCPL's operating margins improved on account of increase in sales by 28.94 per cent in FY2017 over the previous year. The company has grown at a CAGR of 8.43 per cent in the last three years. The EBITDA margins stood at 9.56 per cent compared to 4.98 per cent in FY2016.

Moderate financial risk profile

The financial risk profile is moderate marked by low net worth of Rs.6.29 crore as on 31 March, 2017.

The gearing stood at 1.27 times as on 31 March, 2017 compared to 1.32 times as on 31 March, 2016. The total long term debt includes unsecured loans to the tune of Rs.0.13 crore from friends and relatives. The ICR stood at 2.78 times in FY2017 and 1.17 times for FY2016. The DSCR stood at 2.04 times in FY2017 compared to 0.84 times in FY2016.

Weaknesses_____

Working capital intensive operations

VRCP's operations are working capital intensive with Gross Current Assets (GCAs) at 218 days on account of high inventory and debtor levels of 84 and 132 days respectively.

Project risk

The company plans to start a manufacturing unit at Wai (MIDC Area), Maharashtra at a total project cost of Rs. 6.50 crore to be funded by debt funds and promoter's contribution (around 40 percent). Commercial operations are expected to commence from FY2018- 19 leading to significant cost and time overrun risk.

Exposure to cyclical in the automobiles industry

The company is exposed to inherent cyclical in the automobiles industry. Further, the company is exposed to a highly fragmented and competitive automobiles industry due to lack of entry barriers which also limits pricing flexibility.

Foreign exchange fluctuation risk

The company caters largely to the domestic market. However, it is exposed to foreign exchange fluctuation risk since exports (Europe, South America, South Africa and Middle East countries) constitute about 25 percent .

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of VRC to arrive at the rating.

Outlook – Stable

SMERA believes that VRCP's outlook will remain stable and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of a steady and diversified revenue profile with stable operating margins and effective working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or fall in revenue.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	27.01	20.95	22.85
EBITDA	Rs. Cr.	2.58	1.04	2.27
PAT	Rs. Cr.	0.49	0.29	0.39
EBITDA Margin	(%)	9.56	4.98	9.92
PAT Margin	(%)	1.80	1.40	1.70
ROCE	(%)	13.55	10.88	13.18
Total Debt/Tangible Net Worth	Times	2.75	2.51	2.60
PBDIT/Interest	Times	2.78	1.17	2.05
Total Debt/PBDIT	Times	3.09	7.35	3.25
Gross Current Assets (Days)	Days	218	248	234

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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>

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
10-OCT-2016	Cash Credit	Long Term	5.2	SMERA BB / Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.8	SMERA BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	SMERA A4+ (Reaffirmed)

01-Sept-2015	Cash Credit	Long Term	5.2	SMERA BB / Stable (Assigned)
	Proposed Cash Credit	Long Term	0.80	SMERA BB / Stable (Assigned)
	Bank Guarantee	Short Term	1.00	SMERA A4+ (Assigned)

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	5.20	SMERA BB / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.80	SMERA BB / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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