

Press Release

Vardaan Exports (VE)

26 September, 2017

Rating Downgraded



Total Bank Facilities Rated	Rs. 20.68 crore
Long Term Rating	SMERA D (Downgraded from SMERA BB-/Stable)
Short Term Rating	SMERA D (Downgraded from SMERA A4)

* Refer Annexure for details

SMERA has downgraded the long term on the above mentioned facilities of Vardaan Exports (VE) to '**SMERA D' (read as SMERA D)** from '**SMERA BB-**' (read as SMERA double B minus) and '**SMERA A4' (read as SMERA A four).**

Incorporated in 2009, VE is a Haryana-based partnership firm promoted by Mr J. B. Bansal and Ms Poonam Garg. The firm is engaged in the milling and trading of basmati and non-basmati rice and has an installed capacity of 52,560 MTPA.

List of key rating drivers and their detailed description:

Strengths

Extensive experience of the promoters: The firm was established in 2009, by Mr J. B. Bansal and Ms Poonam Garg and commenced commercial production from September, 2009. Mr. J. B. Bansal has more than three decades of experience in the said line of business.

Weaknesses

Delays in debt servicing: There have been irregularities in the repayment of principal and interest on term loans during the last three months due to a weak liquidity.

Competitive and fragmented industry: Rice milling is a highly competitive industry due to low entry barriers. The firm is exposed to intense competition from established players such as KRBL, Kohinoor, LT foods.

Agro climatic risks, fluctuations in raw material prices: Paddy, the main raw material is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions. The company is also exposed to risk of fluctuations in raw material prices.

Risk of capital withdrawal: The firm is exposed to risk of capital withdrawal considering its partnership constitution.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

About the rated entity – key financials

For FY2014–15, VE reported net profit of Rs.0.20 crore on operating income of Rs.107.53 crore compared to net profit of Rs.0.01 crore on operating income of Rs.105.47 crore in FY2013–14. The net worth stood at Rs.7.84 crore as on 31 March, 2015 compared to Rs.5.23 crore a year earlier.

Applicable Criteria

- Trading Entities: <https://www.smera.in/criteria-trading.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
25-May, 2016	Cash Credit*	Long Term	18.00	SMERA BB-/Stable (Assigned)
	Term Loan	Long Term	1.52	SMERA BB-/Stable (Assigned)
	Proposed Long Term Facilities	Long Term	0.16	SMERA BB-/Stable (Assigned)
	Standby line of credit	Short Term	1.00	SMERA A4 (Assigned)

*Includes sublimit of Export packing credit of Rs. 2.50 crore and foreign bill purchase of Rs.0.50 crore)

*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*	NA	NA	NA	18.00	SMERA D (Downgraded)
Term Loan	NA	NA	NA	1.52	SMERA D (Downgraded)
Proposed Long Term Facilities	NA	NA	NA	0.16	SMERA D (Downgraded)
Standby line of credit	NA	NA	NA	1.00	SMERA D (Downgraded)

*Includes sublimit of Export packing credit of Rs. 2.50 crore and foreign bill purchase of Rs.0.50 crore)

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ABOUT SMERA

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