

Press Release

Vinishma Technologies Private Limited

21 August, 2017



Rating Downgraded and Reaffirmed

Total Bank Facilities Rated*	Rs.14.50 Cr
Long Term Rating	SMERA B+/Stable (Downgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term rating to '**SMERA B+**' (read as SMERA B plus) and reaffirmed the short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 14.50 crore bank facilities of Vinishma Technologies Private Limited (VTPL). The outlook is '**Stable**'.

The downgrade is in view of the elongation in working capital cycle due to stretched receivables and weak order book position.

VTPL, incorporated in 1995, is a Delhi-based company promoted by Mr. Manish Agarwal and Mr. Anil Garg. The company undertakes turnkey projects related to electrification and civil construction for government entities and also trades in stationery items for the Uttar Pradesh government.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The promoters, Mr. Manish Agarwal and Mr. Anil Garg have more than two decades of experience in the said line of business.

Reputed customers: The company caters to Uttar Pradesh Small Industries Corporation Limited (UPSICL), Uttar Pradesh Karmchari Kalyan Nigam (UPKKN), Uttar Pradesh Samaj Kalyan Nigam Ltd (UPSKNL) and Manisha Packaging.

Weaknesses

Uneven revenues and low order book position: The revenues are uneven at Rs.109.86 crore in FY2017 (Provisional) as against Rs.81.02 crore in FY2015-16 and Rs.92.83 crore in FY2014-15 on account of the tender based nature of business.

VTPL has an unexecuted order book of ~Rs. 20.50 crore as on 31 July, 2017 (18 per cent of revenue). Thus, medium term revenue visibility is weak.

Average financial risk profile: The financial risk profile of VTPL is average marked by net worth of Rs.5.51 crore and high gearing (debt to equity ratio) of 2.30 times as on 31 March, 2017 (Provisional) as against 2.11 times as on 31 March, 2016. The total debt of Rs. 12.65 crore

as on 31 March, 2017 mainly consists of term loan of Rs. 0.79 crore, unsecured loans of Rs. 6.77 crore and working capital limit of Rs. 5.09 crore. The total outside liabilities to total net worth (TOL/TNW) stood significantly high and deteriorated to 8.70 times as on 31 March, 2017 (Provisional) as against 6.45 times as on 31 March, 2016. The interest coverage ratio (ICR) stood at 2.68 times in FY2017 (Provisional) as against 3.67 times in FY2016. The net cash accruals to total debt stood at 0.08 times in FY2017.

Working capital intensive operations: The operations are working capital intensive marked by high GCA days of 149 for FY2016-17 (Provisional) as against 121 days in FY2015-16 on account of increase in debtor days to 89 in FY2017 (Provisional) from 43 in FY2016. The debtor days increased due to delay in payments from government entities. The creditor days are also stretched to 120 days in FY2017 from 96 days in FY2016. Also, debtors of Rs.6.53 crore have not been recovered for more than six months as on 31 March, 2017. The average bank limit utilisation stands at 90 per cent for the last six months ended June 2017.

Competitive and fragmented industry: VTPL is engaged in the execution of turnkey projects and supplies stationery items to government entities. The company is exposed to intense competition from medium to large players.

Applicable Criteria

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

Outlook- Stable

SMERA believes that VTPL will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while improving capital structure and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or if the company registers deterioration in its financial risk profile and working capital cycle.

About the Rated Entity – key financials

In FY2016-17 (Provisional), VTPL reported profit after tax (PAT) of Rs. 0.75 crore on operating income of Rs.109.86 crore as against net loss of Rs. 0.34 crore on operating income of Rs. 81.02 crore for FY2015-16. The tangible net worth stood at Rs.5.51 crore as on 31 March, 2017 (Provisional) as against Rs. 4.76 crore a year earlier.

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
19-Feb, 2016	Cash Credit	Long Term	2.00	SMERA BB- / Stable (Assigned)
	Bank Guarantee	Short Term	12.50	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	N.A	N.A	N.A	2.00	SMERA B+/Stable (Downgraded from SMERA BB-/Stable)
Bank Guarantee	N.A	N.A	N.A	12.50	SMERA A4 (Reaffirmed)

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