

### Vikram India Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	10.50	SMERA BB/Stable (Assigned)
Term Loan	8.40	SMERA BB/Stable (Assigned)
Packing Credit	10.00	SMERA A4+ (Assigned)
Long Term Bank Facility (Proposed)	6.10	SMERA BB/Stable (Assigned)
Letter of Credit	8.00	SMERA A4+ (Assigned)
Short Term Bank Facility (Proposed)	7.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB**' (**read as SMERA double B**) to the Rs.35.00 crore long term bank facilities and '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.15.00 crore short term bank facilities of Vikram India Limited (VIL). The outlook is '**Stable**'.

The ratings draw comfort from the extensive experience of the promoters in the tea processing machinery industry and established market position. The ratings are also supported by the moderate financial risk profile marked by comfortable net worth and gearing. However, the ratings are constrained by the limited scale of operations, average debt protection metrics and working capital intensive business.

The promoters of VIL have experience of over four decades in the abovementioned line of business. VIL has been manufacturing tea processing machines under the 'Vikram' brand name since 1974. Over the years, it has established long standing relations with reputed companies such as Tata Tea Limited, Duncans Industries Limited, Goodricke Group Limited among others. VIL also supplies tea processing machines to small and medium sized players in Assam and Dooars (West Bengal). The company also exports to Uganda, Kenya, Sri Lanka and others.

VIL's moderate financial risk profile is marked by comfortable net worth of Rs.31.55 crore and debt equity of 1.48 times in FY2015. The ratings draw comfort from the unsecured loans of Rs.28.60 crore from promoters in FY2015 of which Rs.12.00 crore have been treated as quasi-equity as per their undertaking submitted to us. However, the ratings are constrained by the average debt protection metrics marked by interest coverage ratio of 1.55 times and DSCR of 0.88 times in FY2015. Further, the average bank limit utilisation remains at 95 per cent through FY2016.

The ratings are also constrained by the company's modest scale of operations evident from the turnover of Rs.83.82 crore in FY2015. The gross turnover stood at Rs.87.53 crore in FY2016 (Provisional).

The above ratings also factor in the working capital intensive operations marked by high gross current asset days of 266 days in FY2015 as against 297 in FY2014 largely due to funds getting blocked in inventory. The inventory days stood at 173 in FY2015 as compared to 168 in the previous year.

The ratings factor in the capex of Rs.4.70 crore for manufacturing of model mounting structures with a capacity of 60 TPD, being funded entirely from promoters own funds. VIL would be supplying these majorly to its group company, Vikram Solar Private Limited and other solar power companies. The project is expected to become operative from Oct'16.

### **Rating Sensitivity Factors**

- Scaling up of operations and profitability
- Efficient working capital management

### **Outlook-Stable**

SMERA believes that VIL will maintain a stable business risk profile in the medium term backed by its promoters' extensive experience and established relations with customers. The outlook may be revised to 'Positive' if the company registers more than expected revenues while improving profitability. However, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenues, profitability or if the working capital cycle further elongates.

### **Criteria applied to arrive at the ratings:**

- Manufacturing Entities

### **About the Company**

Established in 1974 by Mr. Hari Krishna Chaudhary, VIL manufactures complete line of machineries for tea processing units. The manufacturing facility is located in Dhulagarh, West Bengal. The-day-to-day operations are managed by Mr. Hari Krishna Chaudhary, Mr. Anil Chaudhary and Mr. Gyanesh Chaudhary.

For FY2014-15 (refers to financial year April 01 to March 31), VIL reported profit after tax (PAT) of Rs.1.15crore on operating income of Rs.84.79crore, as compared with profit after tax (PAT) of Rs.1.07crore on operating income of Rs.73.19crore in FY2013-14.

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## ABOUT SMERA

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