

V.M. Vijayakumar: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	10.00	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.10.00 crore long term (fund based) bank facility of V.M. Vijayakumar (VMV). The outlook is '**Stable**'. The rating is constrained by the low profitability, operating losses and exposure to intense competition in the consumer staples industry. However, the aforementioned strengths are partially offset by the firm's experienced management and long track record of operations.

VMV, incorporated in 1969 is engaged in the trading of grains, dry beans, soybeans and pulses. The firm has weak profitability profile evident from the operating margins of 0.76 per cent in FY2014-15 (refer to financial year, from April 1 to March 31) in contrast to 0.57 per cent in FY2013-14, resulting in losses at operating levels due to low value addition products. VMV faces intense market competition.

However, the firm benefits from its experienced partners. Mr. VM Vijayakumar and Mr. VM Yohorajan, Partners, have more than three decades of experience in the firm's line of business.

Outlook- Stable

SMERA believes VMV will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case of significant and sustained improvement in operating income while maintaining profitability margins and leverage. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the revenue profile, lengthening of working capital cycle or debt funded capital expansion.

Rating Sensitivity Factors

- Efficient working capital management
- Substantial and sustainable improvement in revenue and profitability profile
- Debt funded capex

Criteria applied to arrive at the rating:

- Trading Entities

About the Firm

The Tamil Nadu-based, VMV, established in 1969 was promoted by Mr. VM Vijayakumar and Mr. VM Yohorajan. The firm is engaged in the trading of grains, dry beans, soybeans and pulses. It has interest bearing unsecured loans from promoters, friends and relatives worth Rs.1.04 crore in FY2014-15 that are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.0.17 crore on operating income of Rs.87.43 crore, as compared with profit after tax (PAT) of Rs.0.25 crore on operating income of Rs.97.17 crore in FY2013-14. The net worth stood at Rs.3.52 crore as on March 31, 2015 against Rs.2.40 crore a year earlier.

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ABOUT SMERA

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