

Press Release

V.M. VIJAYAKUMAR

09 March, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 10.00 crore bank facilities of V.M. VIJAYAKUMAR. The outlook is '**Stable**'.

VMV is a Tamil Nadu-based partnership firm established in 1969 and is promoted by Mr. VM Vijayakumar and Mr. VM Yohorajan. The firm is engaged in the trading of grains, dry beans, soybeans and pulses. Firm procure around 30-40 per cent of pulses from Malaysia, Singapore and Canada and rest from domestic market.

Key Rating Drivers

Strengths

- **Experienced management**

VMV was established in 1969. The promoters Mr. VM Vijayakumar and Mr. VM Yohorajan has experience of more than three decades of experience in the agro industry.

Weaknesses

- **Modest scale of operations and thin profitability**

The scale of operations is modest with operating income of Rs.104.53 crore in FY2017 as against Rs. 106.23 crore in FY2016. The operating margins (EBITDA) stood at 1.33 percent in FY2017 as against 1.17 per cent in FY2016. The margins are thin due to trading nature of business.

- **Weak financial risk profile:**

VMV has weak financial risk profile marked by low net worth of Rs. 2.94 crore as on 31 March, 2017 as against Rs.2.96 crore as on 31 March, 2016. The gearing (debt-to-equity ratio) stands at 3.29 times as on 31 March, 2017 compared to 3.22 times in the previous year. The total debt of Rs. 9.66 crore as on 31 March, 2017, consists of working capital borrowings of Rs. 9.61 crore. The interest coverage ratio (ICR) stood at 1.20 times in FY2017 as against 1.34 times in FY2016.

- **Exposure to agro climatic risks and competitive industry:**

Since the company is engaged in the processing of agro based products, the profit margins are exposed to agro climatic risks. The agro processing industry is highly competitive and fragmented with several organized and unorganized players. The intense competition and low value addition in the agro processing industry results in low operating margins.

Analytical Approach

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

Outlook: Stable

SMERA believes that VMV will maintain a stable outlook over a medium term owing to promoters' extensive experience in the industry. 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 significant decline in revenues and profitability or further elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	104.53	106.23	87.43
EBITDA	Rs. Cr.	1.39	1.24	0.66
PAT	Rs. Cr.	0.17	0.22	0.17
EBITDA Margin	(%)	1.33	1.17	0.76
PAT Margin	(%)	0.17	0.21	0.19
ROCE	(%)	12.15	11.71	21.49
Total Debt/Tangible Net Worth	Times	3.29	3.22	1.59
PBDIT/Interest	Times	1.20	1.34	1.44
Total Debt/PBDIT	Times	6.08	7.18	5.39
Gross Current Assets (Days)	Days	46	42	38

Any other information

Not Applicable

Applicable Criteria

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Jan-2018	Cash Credit	Long Term	INR 10	SMERA B+ Issuer not co-operating
13-Aug-2016	Cash Credit	Long Term	INR 10	SMERA B+ / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B+ / Stable

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