

Press Release

Vistar Interior LLP (VIL)

27 January, 2018



Rating Upgraded and Assigned

| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs. 12.75 Cr. |
| Long Term Rating | SMERA BB- /Stable (Upgraded from SMERA B+/Stable) |
| Short Term Rating | SMERA A4+ (Upgraded from SMERA A4) |

*Refer annexure for details

SMERA has upgraded the long term rating on the Rs. 12.42 crore bank facilities of Vistar Interior LLP (VIL) to '**SMERA BB-**' (read as **SMERA double B minus**) from '**SMERA B+**' (read as **SMERA B plus**) and short term rating to **SMERA A4+ (read as SMERA A four plus)** from '**SMERA A4**' (read as **SMERA A four**). Further, SMERA has assigned long term rating of **SMERA BB- (read as SMERA double B minus)** on the Rs.0.33 crore bank facilities. The outlook is '**Stable**'.

The upgrade is in view of the significant growth in revenues and profitability margins. SMERA believes that going ahead the firm will sustain growth in revenue and profitability margins over the medium term.

The Delhi-based Vistar Interior LLP was established as a limited liability partnership firm in 2014 by Mrs. Surpreet Singh Suri and Mrs. Kinty Suri. The firm is engaged in the business of interior decoration and construction of residential and commercial buildings. The firm is currently executing civil construction projects for five star hotels, hospitals, corporate offices, software complexes among others.

Key rating drivers

Strengths

Experienced management

The promoters, Mr. Surpreet Singh Suri, Mr. Narinder Kaur and Mrs. Kinty Suri have experience of over a decade in interior designing and have developed healthy relations with clients. The firm caters to a reputed client base including Hotel Taj West End and Hotel Novotel (Bangalore).

Improving trend in operating income and profitability

The revenue improved to Rs.28.04 crore in FY2017 from Rs.18.25 crore in FY2016. During April 2017 to December 2017, the firm registered revenue of Rs.20.50 crore. VIL has orders worth around Rs 386.37 crore to be executed in five years. The operating margins improved to 4.65 percent in FY2017 from 3.45 percent in FY2016, while PAT margins improved to 1.47 percent in FY2017 from 1.16 percent in FY2016. SMERA expects the revenue growth to be moderate in the medium term backed by healthy order book position.

Above average financial risk profile

VIL has above average financial risk profile marked by tangible net worth of Rs. 16.04 crore as on 31 March, 2017 as against Rs.9.03 crore as on 31 March, 2016. This includes unsecured loan of Rs.13.50 crore as on 31 March, 2017 considered as quasi equity. The adjusted gearing stood at 0.84 times as on 31 March, 2017. The debt of Rs.13.46 crore mainly consists of term loans of Rs.7.46 crore and unsecured loans of Rs.5.70 as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 2.36 times for FY2017 as against 2.96 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 2.02 times for FY2017. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.28 times as on 31 March, 2017. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.04 times as on 31 March, 2017. Going forward, SMERA expects the firm to maintain its financial risk profile in the absence of major debt funded capex plans.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) of 444 days in FY2017 compared to 294 days in FY2016. The GCA days are mainly dominated by high debtor days of 136 in FY2017 and 52 days in FY2016, while inventory days stood at 89 days in FY2017. SMERA believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Limited track record of operations

VIL has limited track record of operations since it was incorporated in 2014. However, the promoter has extensive experience in the industry.

Competitive and fragmented industry

Vistar Interior LLP operates in a highly competitive and fragmented industry characterised by a large number of organised as well as unorganised players affecting margins.

Inherent capital withdrawal risk

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

Analytical approach:

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

Outlook – Stable

SMERA believes that VIL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 28.04 | 18.25 | 1.05 |
| EBITDA | Rs. Cr. | 1.30 | 0.63 | 0.07 |
| PAT | Rs. Cr. | 0.41 | 0.21 | 0.01 |
| EBITDA Margin | (%) | 4.65 | 3.45 | 6.60 |
| PAT Margin | (%) | 1.47 | 1.16 | 1.23 |
| ROCE | (%) | 6.22 | 10.49 | 11.37 |
| Total Debt/Tangible Net Worth | Times | 0.84 | 0.01 | 0.00 |
| PBDIT/Interest | Times | 2.36 | 2.96 | 1.33 |
| Total Debt/PBDIT | Times | 10.32 | 0.14 | 0.00 |
| Gross Current Assets (Days) | Days | 444 | 294 | 1484 |

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities in service sectors- <https://www.smera.in/criteria-services.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>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|--------------|---------------------------------|-----------|--------------------|----------------------------|
| 12-Dec, 2016 | Cash Credit | Long Term | 0.25 | SMERA B+/Stable (Assigned) |
| | Term Loan | Long Term | 0.50 | SMERA B+/Stable (Assigned) |
| | Bank Guarantee | Long Term | 12.00 | 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 | Not Applicable | Not Applicable | Not Applicable | 0.25 | SMERA BB-/ Stable (Upgraded) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.17 | SMERA BB-/ Stable (Upgraded) |
| Bank guarantee | Not Applicable | Not Applicable | Not Applicable | 12.00 | SMERA A4+ (Upgraded) |
| Proposed bank facilities | Not Applicable | Not Applicable | Not Applicable | 0.33 | SMERA BB-/ Stable (Assigned) |

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ABOUT SMERA

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