

Press Release

Vikrma Impex Private Limited

April 04, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 30.00 crore bank facilities of Vikrma Impex Private Limited. The outlook is '**Stable**'.

Incorporated in 1994 by Mr. Nand Kishore Agarwal, Vikrma Impex Private Limited (VIPL) is engaged in the blending and export of tea (Black Tea, CTC, Orthodox Tea, Darjelling, Green Tea and Flavoured Tea) at Kolkata. The manufacturing units are located at Khidderpore and Maheshtala (Kolkata) and have installed capacity of 1000 MT of tea per month. The company sells its products under the 'Meri Chai', 'Munna Meri', 'Royal Cup', 'Popular' and 'Vikram' brand names.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The Directors, Mr. Nand Kishore Agarwal and Mr. Raju Agarwal have over two decades of experience in the blending and export of tea.

- Wide geographical presence**

VIPL exports tea to Iran, Kazakhstan, Russia, Saudi Arabia, UAE, Egypt, Sri Lanka and China which constitutes around 80 per cent of revenue with the balance coming in from the domestic market spread across West Bengal, Kerala and Bihar. The company's export share against total revenue rose to 80.38 per cent in FY2016 from 66.65 per cent in FY2014.

- Healthy financial risk profile**

VIPL's healthy financial risk profile is marked by net worth base of Rs. 27.64 cr as on 31st March 2016. The interest and debt service coverage ratios stood comfortable at 2.41 times and 2.08 times respectively as on 31st March, 2016. The gearing has been low marked by 0.99 times as on 31st March, 2016. The improvement in the financial risk profile is on account of conversion of Rs 8 cr of unsecured loan into equity.

- Healthy scale of operations with rise in net cash accruals**

VIPL's scale of operations is healthy with operating income of Rs.129.35 cr in FY2016 as against Rs.92.87 cr in FY2015. The rise in operating income has resulted in increase in net cash accruals to Rs 2.72 cr in FY2016 as against 1.75 cr in FY2015.

Weaknesses

- Volatility in tea prices and agro climatic conditions**

The prices of tea are linked to the auctioned prices, which in turn, are linked to climatic conditions in

the major tea growing areas. Hence, significant price movement in the market may affect VIPL's profitability margins.

• Working capital intensive operations

The operations are working capital intensive marked by GCA days of 176 in FY2016 as against 208 in FY2015. The high GCA days can be attributed to the high debtor days of 97 in FY2016 as against 111 in FY2015. The company on an average utilises around 85 per cent of its working capital limit.

• Exposure to foreign exchange fluctuation risk

With ~ 80 per cent of total revenue coming from exports the company has substantial exposure to foreign exchange fluctuation risk. During FY2016 the company suffered an exchange loss of Rs 0.30 cr against profit of Rs 0.61 cr in FY2015.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of VIPL.

Outlook: Stable

SMERA believes that VIPL will maintain a stable outlook and continue to benefit over the medium term from its experienced management, healthy scale of operations and financial risk profile. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenue while achieving sustained improvement in profit margins and improving the working capital management. Conversely, the outlook may be revised to 'Negative' in case of failure to achieve the projected revenue leading to a fall in margins or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016, VIPL reported Profit after Tax (PAT) of Rs.1.61 cr on total operating income of Rs.129.35 cr as compared with PAT of Rs.0.80 cr on total operating income of Rs.92.87 cr in FY2015.

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

None

Any other information

None

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA A3
Proposed	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB- / Stable

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3

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