

Press Release

Vinayaka Agro Fertilizers India Private Limited

June 09, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 15.00 crore bank facilities of Vinayaka Agro Fertilizers India Private Limited. The outlook is '**Stable**'.

Vinayaka Agro Fertilizers India Private Limited (VAFIPL), incorporated in 2010, is engaged in the manufacturing of Single Super Phosphate (SSP) fertilisers. The company, promoted by Mr. B. Srinivasul Reddy and Mr. P. Srinivas Reddy commenced commercial production in April 2013 with installed capacity of 1,20,000 MTPA with its plant located in Hyderabad.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the company have two decades of experience across industries such as infrastructure and agriculture. Currently, the company is led by Mr.P.Srinivas Reddy & Mr B Srinivasul Reddy.

Weaknesses

- **Weak financial risk profile**

The weak financial risk profile is marked by moderate gearing and negative debt protection metrics. Debt equity stood at 1.06 times with networth of Rs 11.79 crore in FY2016. The DSCR registered a low of 0.20 times in FY2016. The debt protection metrics have been in the negative in FY2016.,this has been due to losses. The losses are on account of nascent stage of operations SMERA expects the financial profile of the company to improve over the medium term with stabilization in its operations.

- **Regulatory risk and vulnerability to agro-climatic conditions**

The fertiliser industry is highly regulated by the government. Besides, the company is exposed to agro climatic risks.

- **Foreign currency fluctuation risk**

Since the company imports raw materials, the profit margins are exposed to foreign exchange fluctuation risks.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that VAFIPL will maintain a stable outlook over the medium term owing to its promoters' extensive experience in the fertilisers industry. The outlook may be revised to 'Positive' if the company achieves more than the envisaged sales and profitability while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth

in revenue and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

The company reported net loss of Rs 4.52 crore against operating income of Rs 4.48 crore in FY2015-16. Till mid March 2017 (Provisional) the company reported revenue of Rs 29.50 crore.

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B- / Stable

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ABOUT SMERA

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