Press Release

V M Maniyar Exports

December 11, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** to the Rs. 6.50 crore bank facilities of V M Maniyar Exports (VMME). The outlook is **'Stable'**.

Established in 2011, VMME is a Gujarat-based partnership firm promoted by Mr. Ashok Maniyar and Mrs. Vaishali Maniyar. The firm is engaged in manufacturing of sandalwood chips, flakes, powder and oil in Surat (Gujarat). The firm imports raw material i.e. sandalwood from Australia and entirely exports its finished product to the Dubai and Australia.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of VMME to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

  The promoters possess experience in same line of business for more than two decades. Acuité believes that VMME will continue to benefit from its experienced management which will help the firm to maintain long standing relations with its customers and suppliers.

- **Moderate financial risk profile**

  The financial risk profile is moderate marked by tangible net worth of Rs.4.50 crore as on 31 March, 2018 (Provisional) as against Rs.3.30 crore in the previous year. The gearing stood moderate at 1.11 times on 31 March, 2018 (Provisional) as against 1.84 times in the previous year. The total debt of Rs.5.00 crore includes term loan from bank of Rs.1.61 crore, working capital borrowing of Rs.1.52 crore and unsecured loan of Rs.1.87 crore. Interest Coverage Ratio (ICR) stood at 2.41 times for FY2018 (Provisional) as against 1.98 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood low at 2.41 times as on 31 March, 2018 (Provisional) as against 2.57 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.23 times in FY2018 (Provisional) compared to 0.14 times in FY2017.

  Going forward, Acuité believes that the firm's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

Weaknesses

- **Small scale of operations with healthy profitability**

  VMME has small scale of operations marked by operating income of Rs.7.11 crore in FY2018 (Provisional) as against Rs.6.93 crore in FY2017 and Rs.5.93 crore in FY2016. The firm has booked revenue of Rs.2.50 crore for April to September, 2018 and the current orders in hand stood at Rs.3.00 crore. Further, the firm's operating margins stood healthy at 27.69 percent in FY2018 (Provisional) as against 24.35 percent in FY2017 and 20.91 percent in FY2016. The firm reported Profit after Tax (PAT) margin of 9.70 percent in FY2018 (Provisional) against 9.78 percent in FY2017 and 9.61 percent in FY2016.

  Going forward, Acuité believes that the firm' ability to register growth in revenue while maintaining adequate profitability will be key rating sensitivity.

- **Working capital intensive operations**
  The firm's operations are working capital intensive marked by high Gross Current Assets (GCA) of 512 days in FY2018 (Provisional) as compared to 438 days in FY2017. The GCA days are mainly dominated by high inventory holding of 462 days in FY2018 (Provisional) compared to 428 days in FY2017. The collection period stood high at 138 days in FY2018 (Provisional) compared to 120 days in FY2017. Further, working capital is supported by high creditor days of 512 days in FY2018 (Provisional) as against 438 days in FY2017. Average cash credit utilisation stood at ~75 percent.

  Acuité believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Outlook: Stable
Acuité believes that VMME's outlook will remain 'Stable' and the firm will benefit over the medium term from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving its financial risk profile and working capital operations. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.11	6.93	5.93
EBITDA	Rs. Cr.	1.97	1.69	1.24
PAT	Rs. Cr.	0.69	0.68	0.57
EBITDA Margin	(%)	27.69	24.35	20.91
PAT Margin	(%)	9.70	9.78	9.61
ROCE	(%)	15.99	16.91	18.31
Total Debt/Tangible Net Worth	Times	1.11	1.84	2.70
PBDIT/Interest	Times	2.41	1.98	2.32
Total Debt/PBDIT	Times	2.54	3.59	5.14
Gross Current Assets (Days)	Days	512	438	387

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm

Note on complexity levels of the rated instrument
https://www.acuite.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	4.25	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.42	ACUITE B+ / Stable

Term loans	Not Applicable	Not Applicable	Not Applicable	0.81	ACUITE B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.02	ACUITE B+ / Stable

Cash Credit has sublimit of Packing Credit of Rs. 3.50

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About Acuité Ratings & Research:
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