

Press Release

Vaidya Industries

July 26, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.30 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 14.30 crore bank facilities of Vaidya Industries. The outlook is '**Stable**'.

Vaidya Industries (VI) is a proprietary concern established in 1996. The firm, promoted by Mr. Vivek Vaidya is engaged in the trading and manufacture of wooden and steel furniture. SMERA has consolidated the business and financial risk profiles of Vaidya V & I Infrastructure Private Limited (VIPL) and Vaidya Industries (VI) collectively referred to as the Vaidya Group.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

The Vaidya group has presence of over two decades in the aforementioned industry. The established track record of operations and extensive experience of promoters has helped build healthy relations with suppliers enabling the firm to get repeat orders.

- **Improved scale of operations**

The Vaidya group has modest scale of operations with operating income of Rs. 78.47 crore in FY2016-17 (Provisional) as compared to Rs. 43.45 crore in FY2015-16. Further, VIPL and Vaidya Industries have orders worth Rs. 25.00 crore and Rs. 40.00 crore respectively to be executed in a span of eight to 10 months.

- **Healthy profitability**

The Vaidya group has reported operating margin of 15.74 percent and PAT (profit after tax) margin of 6.29 percent in FY2016-17 (Provisional) as against operating margin of 15.89 and PAT margin of 6.66 percent for FY2015-16.

Weaknesses

- **Average financial risk profile**

The group's financial risk profile is marked by gearing (debt-to-equity) of 1.38 times as on 31 March, 2017 (Provisional) compared to 1.66 times as on 31 March, 2016. SMERA has considered unsecured loans raised through promoters as quasi equity. The ICR (Interest coverage ratio) stood at 3.07 times in FY2017 (Provisional) as against 2.23 times in FY2016. Further, the group has tangible net worth of Rs.19.76 crore as on 31 March, 2017.

- **Working capital intensive operations**

The group has working capital intensive operations marked by GCA (Gross Current Assets) of 140

days in FY2016-17 (Provisional) as against 183 days in FY2015-16. The GCA days were high on account of debtor days of 89 and inventory days of 59 in FY2016. The WCC (Working capital cycle) days stood at 97 for FY2017 against 116 for FY2016. The average utilisation of working capital limits stood at ~100 percent in the last six months ended January 2017 to June 2017.

- **High dependence on government orders**

The operations are tender-based. The group largely caters to government organisations exposing itself to customer concentration risk.

- **Highly fragmented and competitive industry**

The group is exposed to intense competition from organised as well as unorganised players in the modular furniture industry.

Analytical Approach

SMERA has consolidated the business and financial risk profiles of Vaidya V & I Infrastructure Private Limited (VIPL) and Vaidya Industries (VI) - hereinafter referred to as the Vaidya Group. The consolidation is on account of the common ownership and operational linkages within the group

Outlook: Stable

SMERA believes that the outlook on the Vaidya Group will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the group registers significant growth in revenues while maintaining profit margins along with the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in operating profit margins or significant deterioration in the financial risk profile on account of larger than envisaged debt funded capital structure and working capital borrowings.

About the Group

Vaidya Industries (VI) is a proprietary concern established in 1996. The firm is engaged in the trading and manufacture of wooden and steel furniture. Vaidya Industries was promoted by Mr. Vivek Vaidya. Further, Vaidya V & I Infrastructure Private Limited (VIPL) incorporated in 2006 is a Nagpur-based company promoted by Mr. Indira Tekade, Mr. Prashant Tekade, Mrs. Vandana Vaidya amongst others. The operations are led by Mr. Vivek Vaidya. VIPL is engaged in the manufacture of modular furniture, steel furniture, writing boards among others.

About the Rated Entity - Key Financials

On consolidated basis, for FY2015-16, the firm reported profit after tax (PAT) of Rs.2.89 crore on operating income of Rs.43.45 crore, compared to PAT of Rs.3.14 crore on operating income of Rs.46.15 crore in FY2014-15. The net worth stood at Rs.11.98 crore as on 31 March, 2016 against Rs.10.75 crore a year earlier. The networth includes subordinated quasi equity of Rs.5.79 crore for FY2016 and Rs.2.66 crore for 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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.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	13.80	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Pranali Salgaonkar Analyst - Rating Operations Tel: 022-67141127 pranali.salgaonkar@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.