

Press Release

VAIDYA INDUSTRIES (VI)

23 February, 2018



Rating Upgraded, Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 15.80 Cr. (Enhanced from Rs. 14.30 Cr.)
Long Term Rating	SMERA BB+ /Stable (Upgraded from SMERA BB)
Short Term Rating	SMERA A4+ (Reaffirmed & Assigned)

**Refer annexure for details*

SMERA has upgraded the long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and reaffirmed the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 14.30 crore bank facilities of VAIDYA INDUSTRIES (VI). Further SMERA has assigned the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the enhanced bank facility of Rs. 1.50 crore. The outlook is '**Stable**'.

Vaidya Industries (VI) a proprietary concern established in 1996 is promoted by Mr. Vivek Vaidya who is engaged in the trading of wooden and steel furniture. Vaidya V & I Infrastructure Private Limited (VIPL) incorporated in 2006 is a Nagpur-based company promoted by Mr. Indira Tekade, Mr. Prashant Tekade, and Mrs. Vandana Vaidya. VIPL is engaged in the manufacture of modular furniture, steel furniture, writing boards among others. SMERA has consolidated the business and financial risk profiles of Vaidya V & I Infrastructure Private Limited (VIPL) and Vaidya Industries (VI) as both the entity has managerial and financial linkages collectively referred as Vaidya Group. The group has recently started new business line in sanitary Napkins.

Key rating drivers

Strengths

• Long track record of operations and experienced management

The Vaidya group has presence of over two decades in the manufacturing and trading of wooden and steel furniture. The established track record of operations and extensive experience of promoters has helped build healthy relations with suppliers and enables the firm get repeat orders.

• Improved scale of operations

The Vaidya group has modest operating income of Rs. 78.12 crore in FY2016-17 as compared to Rs. 43.45 crore in FY2015-16 growing at CAGR of 30 percent in last four years since 2014. Further, VIPL and Vaidya Industries have total orders worth Rs. 62.00 crore respectively to be executed in next 10 to 12 months.

• Moderate Financial Risk profile

The financial risk profile is moderate marked by net worth of Rs.17.70 crore as on 31 March, 2017 as against Rs. 11.98 crore a year earlier (which includes unsecured loans of Rs. 6.16 crores treated as Quasi Equity in FY2017 and Rs.2.66 crore in FY2016). The gearing ratio improved to 1.56 times in FY2017 from

1.66 times in FY2016. The ICR stood at 2.69 times for FY2017 as against 2.23 times for FY2016. The DSCR stood at 1.60 times in FY2017.

Weaknesses

• Working capital intensive operations

The Vaidya group has working capital intensive operations marked by moderately high GCA (Gross Current Assets) of 209 days in FY2016-17 as against 243 days in FY2015-16. The debtor days stood at 61 days and inventory days stood at 110 in FY2017. The average utilisation of working capital limits was at ~100 percent in the last six months ended December 2017.

• 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 called as 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 and improving scale of operations. The outlook may be revised to 'Positive' if the company 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.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	78.12	43.45	46.15
EBITDA	Rs. Cr.	10.79	6.90	4.92
PAT	Rs. Cr.	3.09	2.89	3.14
EBITDA Margin	(%)	13.81	15.89	10.67
PAT Margin	(%)	3.95	6.66	6.81
ROCE	(%)	23.96	18.92	20.23
Total Debt/Tangible Net Worth	Times	1.56	1.66	1.96
PBDIT/Interest	Times	2.69	2.23	2.83
Total Debt/PBDIT	Times	2.54	2.83	3.97
Gross Current Assets (Days)	Days	209	243	264

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.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. Cr.)	Ratings/Outlook
26th July 17	Cash Credit	Long Term	INR 13.80	SMERA BB/ Stable (Assigned)
	Bank Guarantee	Short Term	INR 0.50	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	13.80	SMERA BB+ /Stable (Upgraded and Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00 (Enhanced from 0.50)	SMERA A4+ (Reaffirmed and Assigned)

Contacts

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ABOUT SMERA

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