

Press Release

Vishwa Karma Founders India Private Limited

October 16, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.00 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)' on the Rs. 9.00 crore bank facilities of Vishwa Karma Founders India Private Limited. The outlook is '**Stable**'.

Vishwakarma Founders India Private Limited (VFIPL) was incorporated in 2003 and commenced operations in 2006. The ISO 9001:2008 certified company is a leading manufacturer and supplier of gray iron castings and machine components. The company caters mainly to Mahindra & Mahindra, John Deere, Ashok Leyland etc in the automobile industry. Based out of Kolhapur, Maharashtra, VFIPL has manufacturing capacity of 250 tonnes of castings per month with product range from 1kg to 50 kg.

Key Rating Drivers

Strengths

- **Experienced management**

The company was promoted by Mrs. Vaishali Vijayrao Jadhav, Mr. Balasaheb Shivram Jadhav and Mr. Uttam Pandurang Shinde who possess experience of over a decade in the foundry business.

- **Improved margins**

The operating margins rose to 8.63 percent in FY2017 (Provisional) from 8.10 percent in FY2016 mainly due to decrease in raw material costs. The PAT margins increased to 3.21 percent in FY2017 (Provisional) from 1.20 percent in FY2016 due to decrease in interest cost.

- **Moderate working capital cycle**

The working capital cycle is moderate marked by GCA of 88 days in FY2017 (Provisional) compared to 96 days in FY2016. The GCA days mainly constitute debtor days of 80 in FY2017 (Provisional) and 83 days in FY2016. SMERA believes that efficient working capital management will be crucial for the company in order to maintain a stable credit profile.

Weaknesses

- **Below average financial riskprofile**

The financial risk profile is below average marked by low net worth of Rs.1.36 crore as on 31 March, 2017 (Provisional) compared to Rs. 0.79 crore as on 31 March, 2016. The increase in net worth was due to plough back of profits in the business. The gearing improved to 2.03 times as on 31 March, 2017 (Provisional) from 4.97 times as on 31 March, 2016 owing to increase in net worth and repayment of term loans. The long term debt is Rs. 1.33 crore while short term is Rs. 1.20 crore. SMERA believes that the financial risk profile may deteriorate marginally on account of additional term loan of Rs. 7.00 crore for the new plant which is expected to be operational from November 2017.

- **Debt funded capex**

Plans are on to set up an additional plant with initial capacity of 350 tonnes (to be scaled up to 1100

on the basis of orders) per month at a total cost of around Rs.10.35 crore. (includes plant and machinery of Rs. 5.92 crore) to be funded through a bank loan of Rs. 7.00 crore and the balance through unsecured loans from promoters. Work commenced in March 2017 and is expected to be completed by November 2017. Any delay in the commencement of operations may impact the debt servicing ability of the company.

• Competitive and fragmented industry

VFIPL operates in a highly competitive and fragmented industry with established players.

Analytical Approach

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

Outlook: Stable

SMERA believes that VFIPL will maintain a stable outlook over the medium term owing to its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustainable improvement in the scale of operations while it maintains profitability and comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if the revenue and profitability decline or if the financial risk profile weakens because of a stretch in working capital cycle or large debt-funded capex.

About the Rated Entity - Key Financials

The company reported profit after tax (PAT) of Rs. 0.41 crore on net sales of Rs. 12.74 crore in FY2017 (Provisional) as against PAT of Rs.0.19 crore on net sales of Rs. 12.62 crore in FY2016. The net worth stood at Rs.1.36 crore as on 31 March, 2017 (Provisional) compared to Rs.0.79 crore as on 31 March, 2016.

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
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B / Stable

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ABOUT SMERA

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