

Press Release

VIL INTERNATIONAL PRIVATE LIMITED

October 31, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA C
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA C** (read as SMERA C) and short term rating of '**SMERA A4** (read as SMERA A four) on the Rs. 15.00 crore bank facilities of VIL INTERNATIONAL PRIVATE LIMITED.

VIL International Private Limited (VIPL), incorporated in 2001 is a Chennai-based company promoted by Mr. K.V. Satya Rao. Mr. K.V. Satya Rao and Mrs. K. Madhavi are the directors of the company. The company is engaged in the trading of timber. Timber is imported from West and South American countries and supplied to clients in Andhra Pradesh and Tamil Nadu.

Key Rating Drivers

Strengths

- **Extensive experience of promoters**

VIPL incorporated in 2001 is engaged in the trading of timber. The promoter, Mr. Satya Rao possesses around two decades of experience in the said industry.

- **Improved profitability**

The operating margin improved to 4.17 percent for FY2015-16 from 1.67 percent in FY2014-15 on account of decline in raw material prices. However, the margins are susceptible to fluctuations in raw material prices. The PAT margins have been thin at 0.39 percent in FY2015-16 and FY2014-15. The RoCE stood moderate at 12.07 percent in FY2015-16 and 13.23 percent in FY2014-15.

Weaknesses

- **Decline in revenue due to intense competition**

VIPL operates on a modest scale with uneven revenues during the period under study. The company reported continued decline in operating income to Rs.19.30 crore in FY2016 from Rs.24.30 crore in FY2015 on account of slowdown in off take as the demand for timber fell in the domestic market. Further, the company registered revenue of ~Rs.19.00 crore in FY2016-17 (Provisional). The company faces intense competition from various players in India which is likely to impact operating performance and profitability.

- **Below average financial riskprofile**

VIPL has below average financial risk profile marked by low tangible net worth of Rs.3.19 crore as on 31 March, 2016 as against Rs.2.42 crore as on 31 March, 2015. The gearing stood high at 2.58 times as on 31 March, 2016 compared to 2.93 times as on 31 March, 2015. However, the major part of debts is working capital funds of Rs.5.07 crore in FY2016. The Interest coverage ratio (ICR) stood at 1.11 times in FY2016 compared to 1.17 times in FY2015. The DSCR stood at a low of 0.62 times in FY2016 against 0.71 times in FY2015. The NCA/TD (Net cash accruals to Tangible net worth) stood low at 0.02 times while TOL/TNW levels have been high at 5.91 times in FY2016.

- **Working capital intensive operations and stretched liquidity**

The operations are working capital intensive marked by high gross current asset (GCA) days of 386 as on

31 March, 2016 (PY: 301 days). The high GCA days emanate from the high inventory holding period and high debtor days of 133 and 210 respectively in FY2015-16 as against 83 and 194 days respectively in FY2014-15. Further, the liquidity is stretched marked by instances of LC devolvement due to insufficient balance in the overdraft facility. The overdraft facility has been fully utilised.

Analytical Approach

VIPL has considered the standalone business and financial risk profile to arrive at the rating.

Outlook:

About the Rated Entity - Key Financials

For FY2015-16, VIPL reported net profit of Rs.0.08 crore on operating income of Rs.19.30 crore compared to net profit of Rs.0.10 crore on operating income of Rs.24.30 crore in the previous year. The net worth stood at Rs.3.19 crore as on 31 March, 2016 compared to net worth of Rs.2.42 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

CRISIL, wide release dated July 17, 2017 had inter-alia mentioned the following: 'CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL seeks regular updates from companies on the business and financial performance. CRISIL is however, awaiting adequate information from VIL International Private Limited (VIL) which will enable us to carry out the rating review. CRISIL will continue provide updates on relevant developments from time to time on this credit. CRISIL also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA C
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4

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