

Press Release

VAIBHAVRAJ ENTERPRISES

November 23, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.40 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. 7.40 crore bank facilities of VAIBHAVRAJ ENTERPRISES. The outlook is '**Stable**'.

Vaibhavraj Enterprises (VE) was established in 2013 by Mr. Laxman Rathod, Mr. Shankarappa Rathod and Ms. Roopa P. The firm, located at Bengaluru, is engaged in the supply of submersible pump sets, accessories, installation etc and caters to the state government. The firm is also an authorised dealer of Texmo Industries and Avon, pump manufacturers for supply of uPVC Pipes, HDPE Pipes, Submersible column pipes, rubber ring to name a few.

Key Rating Drivers

Strengths

- **Experienced management**

VE was established in 2013 by Partners, Mr. Laxman Rathod, Mr. Shankarappa Rathod and Ms. Roopa P who possess experience of over two decades in the said business. The promoters have been able to forge long term relations with customers and suppliers.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Asset (GCA) days of 162 for FY2016-17 (Provisional) compared to 173 days for FY2015-16. This was due to elongated debtor and inventory days which stood at 30 and 132 days for FY2016-17 (Provisional). Further, the working capital facility was fully utilised for the last three months ended October, 2017.

- **Small scale of operations**

The revenue stood at Rs.6.42 crore for FY2016-17 (Provisional) and Rs.1.24 crore for FY2015-16.

- **Tender based business**

The profit margins are susceptible to the tender based nature of business and intense competition in the industry. The company generates 100 per cent revenue from government projects.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone business and financial risk profile of Vaibhavraj Enterprises.

Outlook: Stable

SMERA believes that VE will maintain a stable outlook over the medium term owing to its experienced management and order book position. The outlook may be revised to 'Positive' in case of strong growth in the scale of operations while registering healthy profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the scale of operations and profitability or elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2017, the company reported Profit after Tax (PAT) of Rs.0.33 crore on total operating income of Rs.6.42 crore compared with PAT of Rs.0.05 crore on total operating income of Rs.1.24 crore in FY2016. The net worth stood at Rs.1.29 crore as on 31 March, 2017 (Provisional) compared to Rs.0.46 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.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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	7.40	SMERA B / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smerra.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smerra.in
Kashish Shah Analyst - Rating Operations Tel: 022-67141152 kashish.shah@smerra.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.