

Press Release

Vinayak International

January 08, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs.35.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.35.00 crore bank facilities of Vinayak International. The outlook is '**Stable**'.

The Rajasthan based, Vinayak International (VI) was established in 2005 as a proprietorship concern by Mr. Vikas Agarwal. The firm is engaged in wholesale trading of iron and steel products and it also does value addition such as fabrication and cutting of the coil. The firm sells its product across Rajasthan.

Analytical Approach

Acuité has considered standalone business and financial risk profile of VI to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The proprietor Mr. Vikas Agarwal has experience of more than a decade in iron and steel industry. Long standing presence of the proprietor in the industry has resulted in establishing healthy relationships with customers and suppliers.

The firm has MoU (Memorandum of Understanding) with Steel Authority of India Limited (SAIL), National Small Industrial Corporation Limited (NSICL), and Rajasthan Small Industrial Corporation Limited (RSICL) which ensures the steady availability of the raw material.

- **Efficient management of working capital cycle**

The working capital cycle of the firm is efficiently managed as evident from Gross Current Asset (GCA) of 81 days as on March 31, 2018 (Provisional) as compared to 106 days in the previous year. The inventory holding days reduced to 56 as on March 31, 2018 (Provisional) as compared to 66 days as on March 31, 2017. Further, the debtors stood comfortable at 19 days as on March 31, 2018 (Provisional) as compared to 25 days as on March 31, 2017.

- **Moderate financial risk profile**

The financial risk profile of the firm is moderate marked by low net worth of Rs.8.25 crore as on March 31, 2018 (Provisional) as compared to Rs.6.48 crore as on March 31, 2017. The debt to equity stood moderate at 1.66 times as on March 31, 2018 (Provisional) as compared to 2.21 times as on March 31, 2017. Further, the interest coverage ratio (ICR) stood moderate at 1.73 times as on March 31, 2018 (Provisional) as compared to 1.92 times as on March 31, 2017.

Weaknesses

- **Profitability susceptible to fluctuation in price of traded goods**

The firm is engaged in trading of iron and steel products. The cost of raw materials to total revenue is about ~96 percent. The prices of these global commodities are volatile and are largely driven by the demand and supply of the global as well as domestic markets. Further, the firm has to maintain adequate inventory in order to supply immediate demands from its customers. Hence, any adverse effect on the prices of raw materials will directly affect the profitability of the firm.

- **Highly competitive and fragmented industry**

The firm operates in highly competitive and fragmented industry with presence of several organised and unorganised players thereby impacting its bargaining power with the customers.

Outlook: Stable

Acuité believes that Vinayak International will maintain a 'Stable' outlook over the medium term backed by its established operational track record and experienced management. The outlook may be revised to 'Positive' if the firm registers higher than expected improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	103.30	75.83	49.02
EBITDA	Rs. Cr.	3.08	2.19	1.51
PAT	Rs. Cr.	0.81	0.50	0.40
EBITDA Margin	(%)	2.98	2.89	3.08
PAT Margin	(%)	0.79	0.66	0.81
ROCE	(%)	11.89	9.80	12.27
Total Debt/Tangible Net Worth	Times	1.66	2.21	2.97
PBDIT/Interest	Times	1.79	1.92	1.84
Total Debt/PBDIT	Times	4.44	6.52	6.31
Gross Current Assets (Days)	Days	81	106	111

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

CARE, vide its press release dated December 03, 2018 had denoted the rating of Vinayak International as 'CARE BB/Stable; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'CARE BB/Stable' vide its press release dated July 17, 2017.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	15.00	ACUITE BB / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+

Contacts

Analytical	Rating Desk
Aditya Gupta Heads- Corporate and Infrastructure Sector Ratings Tel: 022 49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022 67141160 Rating.desk@acuite.in
Bhanupriya Khandelwal Analyst - Rating Operations Tel: 022-49294045 bhanupriya.khandelwal@acuiteratings.in	

About Acuité Ratings & Research:

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