

Press Release

VICTOR AGENCIES

08 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.75 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 12.75 crore bank facilities of VICTOR AGENCIES. The outlook is '**Stable**'.

Victor Agencies (VA), established in 1998 by Mr. Vinod Karwa is engaged in the distribution of speciality chemicals such as powder paint, re-disposable powder, epoxy resins and curing hardness. The registered office is located at New Delhi.

Key Rating Drivers

Strengths

- **Experienced management**

VA is a proprietorship concern engaged in the distribution of speciality chemicals. The firm is led by Mr. Vinod Karwa, who possesses experience of almost two decades in the industry.

- **Average financial risk profile**

The firm has above average financial risk profile marked by moderate net worth of Rs 19.64 crore in FY2017 (Provisional), an increase from Rs.17.40 crore in FY2016. This is mainly due to retention of current year profit, comfortable debt-equity ratio of 0.28 times in FY2017 (Provisional), an increase from 0.10 times in FY2016. The debt profile mainly included unsecured loan and short term buyers credit of Rs.3.85 crore in FY2017 (Provisional). The Interest coverage ratio stood comfortable at 11.34 times and debt service coverage ratio at 11.34 times in FY2017 (Provisional). The NCA/TD stood comfortable at 0.53 times in FY2017 (Provisional).

Weaknesses

- **Working capital intensive operations**

Working capital intensive operations are marked by high GCA days of 138 in FY2017 (Provisional) which rose from 120 days in FY2016. This is mainly due to increase in inventory days to 90 in FY2017 (Provisional) from 82 days in FY2016.

- **Competitive and fragmented industry**

The firm operates in a highly competitive chemical processing industry with intense competition from several unorganised players which limits the bargaining power of the firm.

Analytical Approach

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

Outlook: Stable

SMERA believes that VA will maintain a stable outlook in the medium term on account of its

experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenue and profitability while improving working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), VA reported profit after tax (PAT) of Rs 2.79 crore on total operating income of Rs.90.77 crore, compared with PAT of Rs.2.63 crore on total operating income of Rs.101.16 crore in FY2015-16. The tangible net worth stood moderate at Rs.19.64 crore in FY2017 (Provisional).

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

NA

Any other information

NA

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. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	0.95	SMERA BB / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+

Contacts

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