

## Press Release

Vishavkarma Agro Industries (VAI)

11 December, 2017



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.9.50 Cr.
<b>Long Term Rating</b>	SMERA BB-/Stable (Assigned)

\*Refer annexure for details

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs. 9.50 crore bank facilities of Vishavkarma Agro Industries (VAI). The outlook is '**Stable**'.

Vishavkarma Agro Industries (VAI) was established in 1991 as a partnership firm by Mr. Surjit Singh Dhiman and Mr. Amarjit Singh Dhiman. The firm manufactures tractor equipments such as wheat thresher, straw reaper, seed drill, combine harvesters etc at Sangrur, Punjab.

### List of key rating drivers and their detailed description:

#### Strengths

**Established track record of operations, experienced partners:** VAI was established in 1991 as a partnership firm by Mr. Surjit Singh Dhiman and Mr Amarjit Singh. The partners has more than two decades of experience in manufacturing of tractor equipments.

**Average financial risk profile:** The financial risk profile is average marked by networth of Rs.7.25 crore as on 31 March, 2017 (Provisional) compared to Rs.7.97 crore as on 31 March, 2016. The debt to-equity ratio stood at 1.46 times as on 31 March, 2017 (Provisional) as compared to 1.35 times as on 31 March, 2016. Further, the interest coverage ratio stood at 1.94 times for FY2016-17 as compared to 1.86 times for FY2015-16.

**Healthy operating margins:** VAI has healthy operating margins of 7.41 percent in FY2016-17 and 7.34 percent in FY2015-16. The slight increase in the operating margin is on account of decline in the prices of iron and steel. Further, the PAT margins stood at 2.65 percent in FY2016-17 compared to 2.66 percent in FY2015-16.

**Extensive dealership network:** VAI sells its products under the brand name 'Vishavkarma' in the domestic market through its extensive network of over 100 dealers in Punjab, Haryana, Rajasthan, Uttar Pradesh, Gujarat.

#### Weaknesses

**Small scale of operations:** Despite a long track record in manufacturing, the scale of operations is small. The firm booked revenue of Rs.32.54 crore in FY2016-17 (Provisional) as against Rs.31.03 crore in FY2015-16.

**Working capital intensive operations:** The operations are capital intensive on account of the high gross current asset days of 280 in FY2016-17 and 265 days in FY2015-16. Further, the cash credit utilisation stood at 95 percent in the last six months.

**Susceptibility of margins to fluctuations in raw material prices:** The main raw materials of the firm are H.R. sheets, angles, channels, round etc. whose prices depend on the fortunes of the iron and steel industry. The prices of steel and iron are volatile. Adverse changes in prices may affect the profitability margins of the firm.

**Analytical approach:** SMERA has considered the standalone business and financial risk profiles of VAI to arrive at the rating.

### 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>

### Outlook: Stable

SMERA believes that VAI will maintain a stable outlook in the medium term on account of its experienced partners. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile or higher than expected working capital requirements.

### About the Rated Entity: Key financials

In FY2016-17 (Provisional), the reported profit after tax (PAT) of Rs.0.86 crore on operating income of Rs.32.54 crore as against net profit of Rs.0.83 crore on operating income of Rs.31.03 crore in the previous year. The tangible net worth stood at Rs.7.25 crore as on 31 March, 2017 as against Rs. 7.97 crore a year earlier.

### Status of non-cooperation with previous CRA:

CARE has been seeking information from Vishavkarma Agro Industries to monitor the rating(s) vide e-mail communications/letters dated September 07, 2017 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Vishavkarma Agro Industries's bank facilities will now be denoted as CARE BB-; ISSUER NOT COOPERATING\*.

**Any other information:** Not Applicable

**Rating History for the 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
Cash Credit	N.A	N.A	N.A	9.00	SMERA BB-/Stable
Term loan	N.A	N.A	N.A	0.36	SMERA BB-/Stable
Proposed bank facility	N.A	N.A	N.A	0.14	SMERA BB-/Stable

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**ABOUT SMERA**

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