

Press Release

Vishavkarma Agro Industries

January 04, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB-**' (read as **ACUITE 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 promoted by Mr. Surjit Singh Dhiman & Mr. Amarjit Singh Dhiman. The firm is engaged in manufacturing of tractor equipment's such as wheat thresher, straw reaper, seed drill, combine harvesters, etc. Its manufacturing unit situated in Sangrur, Punjab in 3.50 acres of land.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of VAI to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and Experienced partners**

VAI was established in 1991 as a partnership firm by Mr. Surjit Singh Dhiman and Amarjit Singh. The partners have more than two decade of experience in manufacturing of tractor equipment's. Further due to the experience and better understanding of market led to better relationship with customer and suppliers.

- **Average financial risk profile**

The firm has average financial risk profile marked by average networth of Rs.6.36 crore as on 31 March 2018 as compared to Rs. 6.90 crore as on 31 March 2017. The debt to equity ratio stood at 1.62 times as on 31 March 2018 as compared to 1.53 times as on 31 March 2017. The total debt is Rs.10.34 crore includes term loan of Rs.0.23 crore, unsecured loan from promoters of Rs. 1.17 crore and working capital borrowings of Rs.8.94 crore as on 31 March, 2018. Further the interest coverage ratio stood at 1.95 times for FY2017-18 as compared to 1.93 times for FY2016-17. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.30 times as on 31 March, 2018 as against 2.95 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times as on 31 March, 2018.

- **Extensive dealership network**

VAI sells its products domestically under the brand name of 'Vishavkarma' to various wholesalers and retailers through its extensive network of more than 100 dealers located in Punjab, Haryana, Rajasthan, Uttar Pradesh, Gujarat etc.

Weaknesses

- **Risk of capital withdrawal**

The financial profile of VAI is susceptible to the inherent risk of capital withdrawal owing to the partnership constitution of the firm. The same has been observed in the past three financial years.

- **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 iron and steel industry. The prices of steel and iron are driven by the

international prices which had been volatile in past. Thus any adverse change in the prices of the raw material may affect the profitability margins of the firm.

Outlook: Stable

Acuite believes VAI will maintain a stable business risk profile in the medium term on account of its experienced partners. The outlook may be revised to 'Positive' in case the company 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 the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	32.71	32.54	31.03
EBITDA	Rs. Cr.	2.25	2.21	2.28
PAT	Rs. Cr.	0.81	0.85	0.83
EBITDA Margin	(%)	6.88	6.79	7.34
PAT Margin	(%)	2.47	2.62	2.66
ROCE	(%)	11.49	11.69	11.66
Total Debt/Tangible Net Worth	Times	1.62	1.53	1.35
PBDIT/Interest	Times	1.95	1.93	1.86
Total Debt/PBDIT	Times	4.59	4.34	4.30
Gross Current Assets (Days)	Days	280	276	266

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/financial-sector-ratings.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
December 11, 2018	Cash Credit	Long Term	9.00	ACUITE BB- / Stable (Reaffirmed)
	Term loans	Long Term	0.36	ACUITE BB- / Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.14	ACUITE BB- / Stable (Reaffirmed)

***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	9.00	ACUITE BB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.36	ACUITE BB- / Stable (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.14	ACUITE BB- / Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuute.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuute.in
Ayushi Rathore Analyst - Rating Operations Tel: 02249294055 ayushi.rathore@acuiteratings.in	

About Acuité Ratings & Research:

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