

Press Release

Vandana Agrotech

May 08, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.00 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.5.00 crore bank facilities of Vandana Agrotech (VA). The outlook is '**Stable**'.

Vandana Agrotech (VA) was established as a proprietorship firm in 2016 by Smt Sushma Jaiswal. The firm is engaged in the manufacturing of agricultural equipments such as wheel barrows, cultivators, paddy transplantors to name a few. The manufacturing plant of the firm is located in Janjgir Champa District in Chhattisgarh with an installed capacity of 2400 units annually.

Key Rating Drivers

Strengths

• Proximity to raw materials

The key raw materials are iron and steel which are procured from Jamshedpur and Bokaro (Jharkhand). VA enjoys location advantage as the manufacturing unit is at close proximity to raw material ensuring a steady supply.

Weaknesses

• Nascent stage of project

The operations are at a very initial stage and the company has to optimally utilise its capacity to generate cash flows to meet their outstanding debt obligations.

• Highly competitive industry

The agricultural equipment industry is highly competitive with big players like Mahindra & Mahindra Limited, John Deere and Ashok Leyland Limited among others. As a relatively new player in this industry, achieving operational efficiency along with sustaining quality products would be a key monitorable.

• Seasonal nature of industry

The customers of the company are mainly farmers and hence their offtake would largely depend on the seasonality of the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Vandana Agrotech to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on Vandana Agrotech will remain 'Stable' over the medium term backed by its proximity to key raw materials. The outlook maybe revised to 'Positive' if the company registers higher than expected revenue and net cash accruals while maintaining the profit margins. However, the outlook maybe revised to 'Negative' if the company registers lower than expected revenue and profits or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	4.02	0.04	0.07
EBITDA	Rs. Cr.	1.41	0.03	0.03
PAT	Rs. Cr.	0.88	0.05	0.02
EBITDA Margin	(%)	34.97	86.47	36.81
PAT Margin	(%)	21.78	125.37	21.65
ROCE	(%)	25.61	2.08	3.88
Total Debt/Tangible Net Worth	Times	1.41	1.48	0.13
PBDIT/Interest	Times	7.25	5.84	2.32
Total Debt/PBDIT	Times	1.72	43.09	5.79
Gross Current Assets (Days)	Days	120	11177	1572

Any other information

Not Applicable

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>

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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in Shreyans Banthia, Rating Analyst, Tel: +91-22-67141128 Email: shreyans.banthia@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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