

Press Release

Vihan Enterprises Private Limited

March 14, 2023

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	139.00	ACUITE B Stable Assigned	-
Bank Loan Ratings	15.00	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	154.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE B**'(read as **ACUITE B**) and short term rating of '**ACUITE A4**'(read as **ACUITE A four**) on the Rs.154 Crore bank facilities of Vihan Enterprises Private Limited(VEPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating takes into consideration the established position of the firm in this field of business. Further, the rating takes into consideration the revenue growth in FY22. However, the rating is constrained by weak financial risk profile due to the thin profitability margins recorded in FY 2021 and FY 2022 respectively and exposure to risk associated with ongoing project which will be completed in FY24. The rating further factors in the working capital intensive nature of operations as well.

About the Company

M/s. Vihan Enterprises Private Limited is a Private Limited Company incorporated on 01 st December 2010 under the Companies Act, 1956. The Registered Office is situated at A-207, Pallavi Nagar near Danapani Restaurant, Bawadiya Kalan Huzur BHOPAL, MP. 462026. Vihan Enterprises Private Limited. has been allocated 20.825 Hectares (Approx. 208,250 Square Meters) Industrial Land from MPSIDC on 99 Years Perpetual Lease at Village Bansapur, Tehasil Budhni, District Sehore to build the new units and is ready to start the construction of the buildings. However, the company is going to diversify its business into sell, buy, refine and deal in kind of agriculture and vegetable produce.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of VEPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations

VEPL incorporated in 2010 as proprietorship firm and has an established track record of operations and converted into private limited in FY21. The directors of the company Mrs. Swati Dubey and Mr. Ram Krishna Dubey has vast experience in the aforementioned line of business. The extensive experience of the directors have helped the firm to establish long and

healthy relationships with its customers and suppliers over the years. Acuité believes that the experience of the proprietor in the said line of business will help the firm in maintaining a healthy order book in near to medium term.

Weaknesses

Weak Financial Risk Profile

The financial risk profile of the company is weak marked by moderate net-worth of Rs.18.77 Crore in FY22. However, the overall debt of the company stood at Rs.33.56 Crore in FY22 which includes short term debt of Rs.22.09 Crore. Further, the company has availed long term loan of Rs.87.05 Crore in FY 2023 to fund its upcoming diversified business. Along with this, the promoters of the company have also infused funds to support the new scale of operations. However, with the increase in debt, the financial risk profile of the company is likely to deteriorate with the debt-equity and TOL/TNW are expected to increase to 8 times for FY 23 (Estimated).

Working Capital Intensive nature of operations

The working capital operations of the company are intensive marked by GCA days of 256 days in FY22 against 155 days in FY21. On the other hand, the creditors days of the company is at 170 days in FY22 against 148 days in FY21. However, the current ratio of the company stood at 1.69 times in FY22.

Off take risk associated with project

The site development work started in FY 22. Earlier, the project was scheduled to be completed in FY23. However, due to pending approvals the date of commercial operation has rescheduled from FY23 to FY24. The approvals like electricity permission, pollution clearance etc. are yet to be obtained for the proposed plant. Due to pending agreements with traders and food processing industries, the project is susceptible to off-take risk. Any delay in tie-ups could negatively impact the company's capacity to generate revenue. Further, to mitigate this risk company is already in discussions with Adani, Reliance Fresh and Patanjali for direct selling to Maharashtra Cooperatives and TN Cooperatives.

Rating Sensitivities

- Timely commencement of diversified business operations
- Improvement in Operating Income and Profitability

Material covenants

None.

Liquidity Position

Poor

The Liquidity profile of the company is poor. The company generated net cash accruals of Rs.0.57 Crore in FY 22 against no debt repayment obligations. Going Forward, the company is expected to generate a net cash accruals of Rs 3.69 Cr against the maturing debt repayment obligation of Rs 13.88 Cr during the same tenure which does not provide adequate comfort with respect to managing the repayment. However, the average bank limit utilisation of the company is 10% in last 6 months ended December 2022.

Outlook: Stable

Acuité believes that company will maintain a 'Stable' outlook over the medium term on account of its management's extensive experience and healthy relationship with existing clients. The outlook may be revised to 'Positive' if the firm is able to register growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of further elongation of working capital cycle and deterioration of financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	17.48	12.69
PAT	Rs. Cr.	0.56	0.81
PAT Margin	(%)	3.22	6.37
Total Debt/Tangible Net Worth	Times	1.79	0.68
PBDIT/Interest	Times	231.58	10833.00

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-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A4 Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	37.00	ACUITE B Stable Assigned
Union Bank of India	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE B Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	87.00	ACUITE B Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Depanshi . Analyst-Rating Operations Tel: 022-49294065 depanshi.mittal@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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