

Vahini Irrigation Private Limited:Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	6.40	SMERA B+/Stable (Suspension Revoked; Rating Assigned)
Term Loan	44.17	SMERA B+/Stable (Suspension Revoked; Rating Assigned)
Letter of Credit/Buyers Credit	5.50	SMERA A4 (Suspension Revoked; Rating Assigned)
Proposed Cash Credit	17.60	SMERA B+/Stable (Suspension Revoked; Rating Assigned)
Proposed Letter of Credit/Buyer Credit	14.33	SMERA A4 (Suspension Revoked; Rating Assigned)

SMERA has revoked the suspension of rating on the above mentioned bank facilities of Vahini Irrigation Private Limited (VIPL) and assigned rating of '**SMERA B+**' (**read as SMERA B plus**) and '**SMERA A4**' (**read as SMERA A four**). The outlook is '**Stable**'.

SMERA had on April 26, 2016 suspended the rating for lack of necessary information from VIPL. The company has now shared the requisite information, enabling SMERA to assign a rating to the bank facilities.

The ratings derive comfort from the experienced management, long track record of operations and healthy revenue growth. However, the ratings are constrained by the below average financial risk profile due to debt-funded capex, susceptibility of profit margins to raw material prices and forex fluctuation risks.

VIPL, incorporated in 1999 is into manufacturing of Polyvinyl Chloride (PVC) pipes and drip irrigation equipments. The promoters, Mr. Hemraj Sencha and Mr. Annadanaiah possess over two decades of experience in a similar line of business. VIPL registered revenue of Rs.121.71 in FY2016 (provisional) compared to Rs.89.77 crore in FY2015.

However, the company has below average financial risk profile marked by gearing of 2.39 times as on March 31, 2016 (provisional). The coverage indicators of VIPL have marginally stands at 2.89 times FY2016 (provisional). The operating margins declined to 4.19 percent in FY2016 from 5.18 per cent in FY2015. The ROCE has remained at 11.06 times in March 2016. The company has setup another unit at Tumkur at a project cost of Rs.57.62 crore, funded by term loan of Rs.40 crore (disbursed in Jan 2016) and own funds of Rs.17.62 crore. The repayment is expected to begin from January 2017. The financial risk profile of the company is expected to deteriorate on account of the high debt funded capex. The company will have a repayment obligation of Rs.4.15 crore in FY2017 against insufficient cash accruals inclusive of current debts.

PVC resin, a crude oil derivative is the major raw material for PVC pipes, the price of which is extremely volatile. VIPL imports ~ 20 per cent of PVC resin from Taiwan, China, Korea and Japan thus exposing itself to volatility in raw material price volatility and forex fluctuation risk. However, VIPL has hedged ~50 per cent of its forex exposure through forward contract.

Rating Sensitivity Factors

- Scaling up of operations while improving margins
- Improvement in capital structure

Outlook - Stable

SMERA believes that VIPL will maintain a stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially while maintaining operating profitability and improving the financial risk profile. Conversely, the outlook may be revised to 'Negative' if it fails to achieve scalability amidst intensifying competition or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capex and working capital requirements.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

VIPL, incorporated in 1999, is a Karnataka-based company engaged in the manufacture of PVC pipes and drip irrigation equipments. The company has installed capacity of 9,600 metric tonnes per annum for PVC pipes.

For FY2015-16 (provisional), VIPL reported profit after tax (PAT) of Rs.1.20 crore on operating income of Rs.121.71 crore, as compared with PAT of Rs.0.24 crore on operating income of Rs.89.77 crore in FY2014-15. The company's net worth stood at Rs.14.65 crore as on March 31, 2015, as compared with Rs.4.38 crore a year earlier.

Rating History:

Date	Facilities	Amount (Rs.Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
26 April, 2016	Cash Credit	6.40	SMERA B+ (Suspended)	-	Stable
	Cash Credit – Proposed	18.60	SMERA B+ (Suspended)	-	Stable
	Term Loan – Proposed	43.00	SMERA B+ (Suspended)	-	Stable
	Letter of Credit/Buyer Credit	5.50	-	SMERA A4 (Suspended)	
	Letter of Credit/Buyer Credit- Proposed	14.50	-	SMERA A4 (Suspended)	
29 January, 2015	Cash Credit	6.40	SMERA B+ (Assigned)	-	Stable
	Cash Credit – Proposed	18.60	SMERA B+ (Assigned)	-	Stable
	Term Loan – Proposed	43.00	SMERA B+ (Assigned)	-	Stable
	Letter of Credit/Buyer Credit	5.50	-	SMERA A4 (Assigned)	
	Letter of Credit/Buyer Credit- Proposed	14.50	-	SMERA A4 (Assigned)	

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.