

Press Release

Vidali Enterprises (VE)

14 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00Cr.
Long Term Rating	SMERA B/Stable

**Refer annexure for details*

SMERA has assigned the long term rating of **'SMERA B' (read as SMERA B)** on the Rs. 6.00 cr. bank facilities of Vidali Enterprises (VE). The outlook is **'Stable'**.

Maharashtra based, Vidali Enterprises (VE) is a proprietorship firm established in 1996 by Mr. Vinay Limaye. The firm is engaged in manufacturing of moulded plastic products used in electronic goods such as washing machine and refrigerator for the reputed clients such as Samsung, Godrej etc.

Key rating drivers

Strengths

Experienced promoter

The proprietor Mr. Vinay Limaye has a longstanding experience of over two decades in plastic industry. SMERA believes that VE will benefit substantially from its experienced promoter and relationship with its reputed clients such as Godrej, Samsung etc.

Weaknesses

Weak Financial Risk Profile

VE's has weak financial risk profile marked by a high gearing and weak debt protection metrics. The networth of the firm stood at Rs.2.01 crore as on 31 March 2017 as compared to Rs.2.15 crore as on 31 March 2016. The debt to equity ratio stood at 3.57 times as on 31 March 2017 as compared to 2.80 times as on 31 March 2016. Further the interest coverage ratio of the firm stood low at 1.52 times for FY2017 as compared to 1.55 times for FY2016.

Modest Scale of Operations

VE reported a low operating income of Rs. 8.15 crore in FY2017 as compared to Rs. 9.39 crore in FY2016. SMERA believes that VE's ability to increase its scale of operations while maintaining its profitability margins shall remain a key credit monitorable factor.

Exposure to fluctuation in Crude Oil prices

SMERA believes that VE's operating cash flows shall remain susceptible to changes in the crude oil prices on account of the benchmarking of plastic prices to crude oil. Adverse movement in crude oil prices coupled with VE's limited bargaining power can adversely affect VE's debt servicing ability. Consequently, VE's ability to pass on increase in raw material prices to its end customers, in light of strengthening of crude oil prices, shall remain a rating sensitivity factor.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of VE to arrive at the rating.

Outlook – Stable

SMERA believes that VE will maintain a Stable risk profile over the medium term on account of its experienced management, healthy profitability indicators. The outlook may be revised to Positive in case of sustained increase in scale of operations while maintaining its profitability indicators, improvement in gearing and working capital cycle. The outlook may be revised to Negative in case of substantial decline in debt protection matrices and/or higher than expected deterioration in profitability margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	8.15	9.39	10.66
EBITDA	Rs. Cr.	0.10	1.19	1.34
PAT	Rs. Cr.	0.31	0.31	0.59
EBITDA Margin	(%)	1.21	12.72	12.55
PAT Margin	(%)	3.77	3.27	5.53
ROCE	(%)	13.79	15.21	21.39
Total Debt/Tangible Net Worth	Times	3.57	2.80	1.64
PBDIT/Interest	Times	1.52	1.55	2.17
Total Debt/PBDIT	Times	5.31	4.98	2.83
Gross Current Assets (Days)	Days	373	290	222

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

None

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA B/Stable (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B/Stable (Assigned)

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ABOUT SMERA

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