



RATING RATIONALE

23 Apr 2020

Vaishno Rubber Industries Pvt. Ltd.

Brickwork Ratings reaffirms the long term rating and the short term rating for the Bank Loan Facilities of ₹. 10.26 Crores of Vaishno rubber Industries Pvt. Ltd. ('VRIPL' or 'the company').

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Sep' 2018)	Present
Fund Based					
Cash Credit	2.50	2.50	Long Term	BWR B+ (Stable) [Assigned]	BWR B+ (Stable) [Reaffirmation]
Term Loan#	7.00	6.26			
WCTL	-	0.97			
FITL	-	0.33			
Non-fund Based					
Bank Guarantee	0.20	0.20	Short Term	BWR A4 [Assigned]	BWR A4 [Reaffirmation]
Total	9.70	10.26	INR Ten crores and twenty six lakhs only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

Outstanding balance as on 31 Mar' 2020

RATING ACTION / OUTLOOK : Stable

BWR has reaffirmed the long term rating at "BWR B+" with "Stable" outlook and the short term rating at BWR A4 for the bank loan facilities of Vaishno rubber Industries Pvt. Ltd. ('VRIPL' or 'the company'). The rating draws strength from the vast business experience of the directors. However, the rating is constrained on account of the average financial risk profile, nascent stage of operations and intense competition in the rubber hose industry.

The rating outlook has been assigned as "Stable" as BWR believes that Vaishno rubber Industries Pvt. Ltd. business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case there is improvement in revenues and profitability. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile or liquidity issues.



KEY RATING DRIVERS

Credit Strengths:

- **Experienced Directors:** The company is currently managed and controlled by the directors-cum-promoters promoted by Mr Satvir Singh and Dr Roopam Singh. Both are directors in the company also. Mr Satvir Singh has 19 years of experience of working in the Rubber hose industry. Earlier, he was instrumental in setting up a plant for manufacturing of hydraulic hoses and LPG hoses, in two companies, one being M/s Super seals India Ltd where he worked as GM sales and Marketing and other M/s Indo-rub industries. He worked in various companies at Marketing, Managerial and other strategic levels. His experience is the guiding force behind the company. Dr. Roopam Singh is a highly qualified individual with a doctorate in 'Plant breeding'. She has worked as a 'Research Fellow' with ICAR, Delhi in the beginning of her career and has been associated with a similar kind of industry for the last 10 years.

Credit Challenges

- **Average Financial Risk Profile:** The company has currently low scale of operations with a top line of Rs. 2.49 crs in FY19. As per management's submission, they have achieved revenue of Rs. 5.03 crs by the end of March in FY20. The company has earned operating profits of Rs. 1.07 crs with operating profitability margin of 43% in FY19. Even though the company earned operating profits, net losses were booked at Rs. 0.60 crs in FY19. ISCR was moderate at 1.55x in FY19. Debt equity ratio has further increased to 5.11x as on 31.03.2019 from 2.57x as on 31.03.2018.
- **Nascent stage of operations:** The company commenced its commercial operations from July, 2018. Due to the company being at a nascent stage of operations, it has a small scale of operations and short track record of operations .
- **Intense competition:** The rubber hose industry is highly fragmented and is marked by the presence of numerous large players and small players. Given the low capex and technical complexity of work, the entry barriers have remained low, resulting in a large number of small-to-medium scale enterprises. This intensifies competition and limits the pricing flexibility of the industry participants. As VRIPL has just started operating in 2018, it faces stiff competition .

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of NRGM . BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).



RATING SENSITIVITIES

Going forward, the ability of the company to improve its financial risk profile and maintaining adequate liquidity will remain the key rating sensitivities.

Positive: The rating may be upgraded if the company inter alia, is able to increase its revenues, profitability margins or on account of any other favourable factor.

Negative: The rating may be downgraded if inter alia, there is any deterioration in financial risk profile, fails to maintain adequate liquidity or on account of any unforeseen unfavourable events.

LIQUIDITY POSITION : *Stretched*

The company has cash & cash equivalent balances of Rs. 0.09 crs along with FDRs of Rs. 0.05 crs as on 31.03.2019. The current ratio stood at 1.47x as on 31.03.2019. Long term borrowings of Rs. 7.75 crs as on 31.03.2019 includes term loan outstanding balance of Rs. 6.51 crs and unsecured loans from directors of Rs. 1.24 crs. Further, the company has an Interest service coverage ratio (ISCR) of 1.55x in FY19. The average cash credit limit utilisation is around 97.67% from Oct' 19 to Mar' 20.

ANY GROUP CONCERNS

The company has no direct subsidiary or associate concerns.

COMPANY PROFILE

Incorporated in the year 2014, Vaishno Rubber Industries Pvt Ltd (VRIPL) is engaged in the manufacturing of 'Suraksha LPG Hose', 'Hydraulic Rubber Hose' for industrial, railway and automotive applications and molded rubber parts. The installed capacity of LPG hose pipe and hydraulic hose pipe is 66 lakhs meter p.a. and 7.2 lakhs meter p.a. respectively. VRIPL has started its commercial production in the month of July 2018. The company was promoted by Mr Satvir Singh and Dr. Roopam Singh, who are also the present directors of the company. Its registered office is located at Gurgaon and manufacturing unit at Moradabad, U.P.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2019	FY 2018*
Result Type		Audited	Audited
Operating Income	₹ Cr	2.49	-
EBITDA	₹ Cr	1.07	-
PAT	₹ Cr	(0.60)	-
Tangible Net worth	₹ Cr	1.82	1.17
Total Debt/Tangible Net Worth	Times	5.11	2.57
Current Ratio	Times	1.47	-

*Commercial operations started in July' 2018

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	12 Sep' 2018	2017
Fund Based Cash Credit Term Loan# WCTL FITL	Long Term	2.50 6.26 0.97 0.33	BWR B+ (Stable) [Reaffirmation]	-	BWR B+ (Stable) [Assigned]	NA
Non-fund Based Bank Guarantee	Short Term	0.20	BWR A4 [Reaffirmation]	-	BWR A4 [Assigned]	NA
Total		10.26	INR Ten crores and twenty six lakhs only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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[Vaishno Rubber Industries Pvt. Ltd.]

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	PNB Bank	Cash Credit	2.50	-	2.50
		Term Loan	6.26	-	6.26
		WCTL	0.97	-	0.97
		FITL	0.33	-	0.33
		Bank Guarantee	-	0.20	0.20
TOTAL					10.26

Total Rupees Ten crores and twenty six lakhs only.

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DISCLAIMER

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