Rating Rationale

Varsiddhi Enterprises Private Limited

20th March 2017

Brickwork Ratings assigns "BWR BB" for the Bank Loan Facilities of Varsiddhi Enterprises Private Limited (VEPL).

Particulars:

Facility Rated	Amount(Rs. Crs)	Tenure	Rating ^
Fund Based #	**18.73**	**Long Term**	**BWR BB** (Pronounced as BWR Double B) **Outlook: Stable**
Total	**Rs. 18.73 Crores (INR Eighteen Crores and Seventy Three Lakhs Only)**		

Annexure I shows the bank wise facilities
^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the company upto FY16, 9MFY17 provisional financials, projected financials upto FY18, publicly available information and information/clarifications provided by the management.

The rating draws strength from the industry experience of the promoter, revenue growth and the dealership of reputed brands like Jaquar. However the assigned ratings are constrained by the company's moderate scale of operation, thin operating margins on account of limited pricing flexibility and working capital intensive operations.

Going forward, the ability of the company to increase its scale of operations, improve its profitability given the competitive environment, and effectively manage its working capital requirements by bringing down their receivables will be the key rating sensitivities

Rating Outlook: Stable

BWR believes **Varsiddhi Enterprises Private Limited's** 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 the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Varsiddhi Enterprises Private Limited (VEPL), Chennai was incorporated in 2008. The company is a leading distributor of a wide range of products like Sanitary ware, Tiles, Bathroom Fittings, Wellness products, Wall Claddings of Natural Stones, Lighting etc from leading brands like Somany Tiles, Parry ware, Hindware, TOTO, Gerbrit & Jaquar etc. The company caters to individual builders and retailers as well, located in various parts of Tamil Nadu and Pondicherry district. The main showroom of the company is located in Madhavaram, Chennai, spread across an area of 25,000 sqft and the other showroom is at Annanagar, Chennai.

Mr. Pavan Kumar is the Managing Director and his relatives Mr. Vishal, Mr. Praful & Mr. Prem Kumar are the other directors.

Financial Performance

VEPL reported Operating Revenue of Rs.46.45 Crs and Net Profit of Rs 0.42 Crs in FY 16 as against Operating Revenue of Rs. 19.93 Crs and Net Profit of Rs.0.24 Crs in FY 15. The increase in revenue is on account of Jaquar dealership, which the company acquired in FY16. On a provisional basis, the Company has reported Operating Revenue of around Rs.71.83 Crs for 9MFY17.

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (March 2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs. Crs)	Rating	FY16	FY15	FY14
1	**Fund Based**	**Long Term**		**BWR BB (Outlook: Stable)**	**Nil**	**Nil**	**Nil**
	Dropline OD		**6.73**				
	Cash Credit		**12.00**				

20th March 2017

Hyperlink/Reference to applicable Criteria

- General Criteria
- Trading Entities
- Approach to Financial Ratios

Analytical Contacts	Media
Rajee R ***GM- Ratings*** analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

20th March 2017

Annexure I

State Bank of India, Rajaji Salai, Chennai

Bank's Facilities	Rated Amount (Rs Crs)
Dropline Over Draft	6.73
Cash Credit	12.00
Total	**18.73**

20th March 2017