Rating Rationale

Vestal Manufacturers & Traders

2 Jan 2018

Brickwork Ratings assigns BWR B+/ A4 for the Bank Loan Facilities of Rs. 9.91 Crs of Vestal Manufacturers & Traders

Particulars

Facility Rated#	Amount (Rs. Crs)	Tenure	Rating^
Fund Based Term Loan	0.66	Long term	**BWR B+** (Pronounced BWR Single B Plus) Outlook : Stable **Assigned**
FDB/ FBE Packing Credit	4.00 5.25	Short term	**BWR A4** (Pronounced BWR A Four) **Assigned**
Total	**9.91 (INR Nine Crores and Ninety One Lakhs Only)**		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
# Annexure-I provides details of bank facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of Vestal Manufacturers & Traders ('VMT' or the Concern) upto FY17, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the established operational track record, experience of the proprietor, moderate profitability and long term relationships with customers. The ratings are constrained by below average credit profile marked by high gearing, stretched receivables level and high inventory levels, exposure to risks arising from foreign exchange fluctuations and working capital intensive operations.

Going forward, the concern's ability to improve its collections efficiency, strengthen its credit profile and manage its working capital effectively would be the key rating sensitivities.

Analytical approach

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

Key Rating drivers

- **Long track record**

VMT was established in 1977 and has a long operational track record. The concern is an established exporter of door and window fittings.

- **Experienced proprietor**

Mr. Vinod Garg, the proprietor, has experience of over four decades in the business of manufacturing and export of bathroom, door and window fittings and the exports thereof.

- **Moderate profitability**

Net profit margin was 5.26% in FY16 and fell marginally to 5.08% in FY17. Operating profit margins were 11.76% in FY16 and 17.25% in FY17.

- **Long term relationships with customers**

The concern has established and long-standing relationships with customers abroad such as Consort Architecture, Dale Hardware Ltd., The Brassworks, Advanced Affiliates Inc. and Frelan Hardware Ltd.

- **High Gearing**

Total Debt : Proprietor's Capital was 4.26 times as on 31/3/2016 and fell to 2.54 times as on 31/3/2017. Overall gearing i.e TOL/ Proprietor's Capital was 4.11 times as on 31/3/2016 and 2.92 times as on 31/3/2017.

- **Stretched Receivables level and Inventory level**

VMT has a high receivable position. Days Receivables were 130 days as on 31/3/2016 and 125 days as on 31/3/2017 due to the elongated processing time involved in manufacturing and dispatch to the customers. Days Inventory was also high at 137 days as on 31/3/2016 and rose to 145 days as on 31/3/2017 owing to the nature of the export business.

- **Risks from foreign exchange rate fluctuations**

VMT is exposed to the risks arising from the foreign exchange rate fluctuations, as its entire revenue is export based.

- **Working capital intensive operations**

The concern's business is dependent on working capital financing, due to the high receivables cycle and long processing period of delivery of final products to customers.

Rating Outlook : Stable

BWR believes that Vestal Manufacturers & Traders' 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Concern

Vestal Manufacturers & Traders (VMT), was established in 1977 at Aligarh, Uttar Pradesh by Mr. Vinod Kumar Garg. It is engaged in the manufacture and export of builders' hardware and bathroom, door and window fittings. The concern is a 100% exporter and its clientele is based in UK, USA, Australia and other European countries. Clients are largely import and wholesale dealers. VMT has one related entity - 'Vestal Hardware' which is an OEM for Godrej in India.

Financial Performance

VMT reported Export Sales of Rs. 15.14 Crs for FY16 as against Export Sales of Rs. 14.82 Crs in FY15. PAT was Rs. 0.84 Crs for FY16 and Rs. 0.44 Crs for FY15. For FY17, the Concern reported export sales of Rs. 17.11 Crs. Proprietor's Capital, PAT and gearing as on March 31 2017 stood at Rs. 4.46 Crs, Rs. 0.93 Crs and 2.54 times respectively. On a provisional basis, the concern has achieved export sales of approximately Rs. 14 Crs as on 30/09/2017.

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Instrument/ Facility	Current Rating (December 2017)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2016	2015	2014
Fund Based Term Loan	Long term	0.66	BWR B+ (Outlook: Stable) Assigned	Not Rated	Not Rated	Not Rated
Packing Credit FDB/ FBE#	Short term	5.25 4.00	BWR A4 Assigned			
	Total :	**9.91**	**INR Nine Crores and Ninety One Lakhs Only**			

#DDB Rs. 0.40 Crs is a sub-limit of this facility.

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable

Hyperlink/Reference to applicable Criteria:

- **General Criteria**
- **Manufacturing Entities**
- **Approach to Financial Ratios**

2 Jan 2018

- **Short Term Debt**

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

Vestal Manufacturers & Traders

Annexure I – Details of Rated Facilities

Bank Facilities Canara Bank, Aligarh SME Branch	**Rated Amount** (Rs. Crs)
Fund based Term Loan	0.66
Packing Credit FDB/ FBE*	5.25 4.00
Total	**9.91**

*DDB Rs. 0.40 Crs is a sub-limit of this facility.

Annexure II – Key Financial Indicators

Particulars	FY2016 (A)	FY2017 (A)
Export Sales (Rs. Cr)	15.14	17.11
EBITDA (Rs. Cr)	1.87	3.16
PAT (Rs. Cr)	0.84	0.93
Proprietor's Capital (Rs. Cr)	2.90	4.46
Total Debt : Proprietor's Capital (Times)	4.26	2.54

2 Jan 2018

Current Ratio (Times)	2.22	1.91

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.

2 Jan 2018