Rating Rationale

Vipul Overseas Pvt. Ltd.

27 May 2019

Brickwork Ratings revises/reaffirms the ratings for the Bank Loan Facilities of ₹. 21.50 Crores of Vipul Overseas Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sept, 2018)	Present
Fund based	**4.50**	**4.50**	**Long Term**	**BWR B+** (Pronounced as BWR Single B Plus) **Outlook: Stable**	**BWR BB-** (Pronounced as BWR Double B Minus) **Outlook: Stable Upgraded**
Non Fund Based	**17.00**	**17.00**	**Short Term**	**BWR A4** (Pronounced as BWR A Four)	**BWR A4** (Pronounced as BWR A Four) **Reaffirmed**
Total	**21.50**	**21.50**	**INR Twenty One Crores And Fifty Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Audited Financials upto FY18, Provisional Financials of FY19, publicly available information and information / clarification provided by the company's management.

The ratings take into account the extensive experience of the company's main promoter Mr. Surinder Kumar Garg. The ratings have also factored in the improved revenue, net profitability and debt coverage ratios in the FY19 (Provisional).
The ratings are, however, constrained by the limited scale of operations and low networth of the company over the years. The ratings also factors the highly competitive and fragmented nature of the paper industry.

Going forward, the company's ability to improve its sales, profitability and networth in the medium term will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Extensive experience of the promoter:** The Managing Director of the company Mr. Surinder Kumar Garg, has an extensive experience of more than two decades in the paper trading industry.
- **Improved revenue:** Operating Income of the company has improved in FY19 (Provisional) to Rs. 55.22 Crs. after declining for two preceding years in a row (in FY18 Rs.46.90 & in FY17 51.23 Crs.) from Rs.62.67 Crs. in FY16.
- **Improved Net Profitability and Coverage ratios:** The Net Profit Margin of the company in FY19 has improved to 0.41% as compared to 0.31% in FY18. The Coverage ratios have improved in FY19 (provisional) as compared to FY18 as reflected in DSCR & ISCR of 1.32x & 1.42x respectively (1.18x & 1.11x in FY18).

Credit Risks:

- **Limited scale of operations:** The revenues of the company have been hovering around Rs.50.00 Crores for past five years despite the fact that it has been in the business for over 27 years.
- **Low Networth:** The Networth of the company has been consistently low over the years and stood at Rs. 5.20 Crs. as on 31 mar 2019 (provisional).
- **Highly competitive and fragmented industry:** The industry is highly competitive and characterized by the presence of a large number of players in the organized as well as unorganized segment. Vipul Overseas Pvt. Ltd. is a small sized player, relative to the overall size of the industry.

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).

Rating Outlook: Stable

BWR believes the **Vipul Overseas 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 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

Vipul Overseas Pvt. Ltd was incorporated in 1991 by the promoter Mr. Surinder Garg in New Delhi. Mr. Surinder Garg is the key promoter and managing director. The other director is Mrs. Archana Garg (wife of Mr. Surinder Garg). Company is engaged in Trading, Import and Local Distribution of stock lot of Paper, Paperboard, Pulp, Newsprint, Plastic etc.

Company Financial Performance

Operating Income of the company has improved in FY19 (Provisional) after declining for two preceding years in a row. The Net Profit Margin of the company in FY19 has improved to 0.41% as compared to 0.31% in FY18. The financial risk profile of the company has improved marginally in FY19 (Provisional) as compared to FY18 as reflected in the overall gearing (TOL/TNW), DSCR & ISCR

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Sept, 2018	2017	2016
I	**Fund Based**	Long Term	4.50	**BWR BB-** (Pronounced as BWR Double B Minus) Outlook: Stable **Upgraded**	**BWR B+** (Pronounced as BWR Single B Plus) Outlook: Stable	-	-
II	**Non Fund Based**	Short Term	17.00	**BWR A4** (Pronounced as BWR A Four) **Reaffirmed**	**BWR A4** (Pronounced as BWR A Four)	-	-
	Total		**21.50**	**₹ Twenty One Crores And Fifty Lakhs Only**			

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

Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		**Provisional**	**Audited**
Operating Revenue	₹ Cr	55.22	46.90
EBITDA	₹ Cr	1.09	0.93
PAT	₹ Cr	0.23	0.14
Tangible Net worth	₹ Cr	5.20	4.97
TOL / TNW	Times	3.83	4.21
Current Ratio	Times	1.16	1.15

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Short Term Debt

Analytical Contacts	Investor Contacts
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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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.