RATING RATIONALE

23 July 2020

Vishal Surgical Equipment Company

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 15.00 Crores of Vishal Surgical Equipment Company

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (March 2020)	Present
Fund Based	**8.00**	**8.00**	Long Term	BWR BB-/Stable Issuer Not Cooperating [Reaffirmed]	**BWR BB-/Stable [Reaffirmed]**
Non-fund Based	**7.00**	**7.00**	Short Term	BWR A4 Issuer Not Cooperating [Reaffirmed]	**BWR A4 [Reaffirmed]**
Total	**15.00**	**15.00**	**INR Fifteen Crores Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

RATING ACTION / OUTLOOK

BWR believes the **Vishal Surgical Equipment Company (VSEC)**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.

KEY RATING DRIVERS

Brickwork rating has reaffirmed the ratings at BWR BB-/A4/ Stable. The rating draws strength from the healthy financial performance of the company, established track record and experienced promoters. The rating also factors in the financial strength and stability of the group companies. .

These strengths are partially set off by the moderate financial risk profile, moderate scale of operations and high working capital intensity.

Credit Strengths:

- **Established track record in the medical equipment trading segment:** The partners have more than four decades of experience in the medical equipment trading and distribution business, which has enabled the firm to build healthy relationships with its suppliers.

- **Consistent improvement in its turnover:** Turnover of the firm has increased steadily from Rs.37.25 Crs in FY18 to Rs.38.28 Crs in FY19 and Rs. 44.35 Crs in FY20 (on a provisional basis).

Credit Risks:

- **Modest scale of operations:** Despite an existence of almost four decades, the revenue is modest at around Rs 38.28 Crs for FY19.
- **Working capital intensity :** Operations are expected to remain working capital intensive. Receivables are also high at 141 days due to the nature of the business.
- **VSEC's moderate financial risk profile:** Financial risk profile is moderate with adequate capital structure and weak debt protection metrics with gearing at 1.67 times ISCR at 0.78 times and DSCR at 0.69 times in FY19.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon the audited financials of the Company upto FY19, provisional statements of FY20, projected statements upto FY22, publicly available information and information/clarifications provided by the management.

RATING SENSITIVITIES

Going forward the ability of the Company to increase its scale of operations and manage its working capital efficiently would be the key rating sensitivities.

Positive: The ratings may be upgraded if the Company manages to achieve its envisaged growth by maintaining its overall financial risk profile.

Negative: The ratings may be downgraded if there is a deterioration in the overall financial risk profile of the Company

LIQUIDITY POSITION : Stretched

Average utilisation of working capital facilities over the last one year was ~100%. Net cash accruals/Total debt was low at 0.06 times in FY19. Current ratio was adequate at 1.98 times as on 31 Mar 2019 because of higher receivables. . Conversion cycle was stretched to 99 days in FY19. Cash and cash equivalents were 0.05 crores as on 31 Mar 2020 (Provisional) (as against Rs 0.14 crores as on 31 Mar 2019).

COMPANY PROFILE

Vishal Surgical Equipment Company was established in 1978 as a partnership firm, located in Secunderabad, Telangana. Mr Ashok Kapoor is the Managing Partner of the firm & other partners are Mr. Vinod Kapoor Mr. Rajat Kapoor and Mr. Vikas Ahuja. The firm is engaged in the trading and distribution of multi brand medical equipment. The major customers of the firm are APMSIDC, TSMSID, Krishna Institute of Medical Sciences, Yashoda Group of Hospitals and Apollo Group of Hospitals and the major suppliers are the Karl Storz - Germany, KLS Martin - Germany, Simbionix Israel Karl Storz and Endoscopy India Pvt. Ltd. – New Delhi.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	37.25	38.28
EBITDA	₹ Cr	2.23	1.69
PAT	₹ Cr	0.93	0.35
Tangible Net worth	₹ Cr	13.89	15.48
Total Debt/Tangible Net worth	Times	1.44	1.02
Current Ratio	Times	2.12	1.33

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED- NA

NON-COOPERATION WITH PREVIOUS RATING- NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating (2020)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2020	2019	2018
Fund Based	Long Term	**2.50**	**BWR BB-/Stable [Reaffirmed]**	BWR BB-/Stable Issuer Not Cooperating [Reaffirmed]	BWR BB-/Stable [Downgraded]	BWR BB/Stable [Upgraded]
Non-fund Based	Short Term	**3.50**	**BWR A4 [Reaffirmed]**	BWR A4 Issuer Not Cooperating [Reaffirmed]	BWR A4 [Reaffirmed]	BWR A4 [Reaffirmed]
Total		**15.00**	**INR Fifteen Crores 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 Sector

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Vishal Surgical Equipment Company

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	Syndicate Bank	SODH	8.00	-	8.00
		Inland BG	-	7.00	7.00
TOTAL					**15.00**

Total Rupees Fifteen Crores only.

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