Press Release

Vikas Lifecare Limited

(Erstwhile Vikas Multicorp Limited) (VLL)

February 06, 2023

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action	Complexity Indicator
1	Long Term/Short Term Bank Facilities	4.49	IVR BB+/ IVR A4+/ Rating Watch with Developing Implications [IVR Double B plus and IVR A four plus/ Rating Watch with Developing Implications]	Rating Reaffirmed and placed under Rating Watch with Developing Implication	Simple
	Total	**4.49**			

Details of facilities are in Annexure 1

Rating Rationale.

The ratings assigned to the bank facilities of Vikas Lifecare Ltd. (VLL) have been placed under 'rating watch with developing implications' on account of the impending possible impact of acquisition of Kohinoor Foods Ltd. (KFL) by VLL for a consideration of Rs.250 crore. As such, Infomerics would engage with VLL's management to gain better understanding of their plans to acquire KFL and await the exact implications of the above acquisition on the credit profile and cash flows of VLL. Pending greater clarity on these matters, the ratings of the bank facilities of VLL have been placed under 'rating watch with developing implications.

The reaffirmation in the rating of the bank facilities of Vikas Lifecare Limited derives strength from experienced promoters and management, broad based product portfolio, improved scale of operation and comfortable capital structure. The rating is however constrained by operating losses, weak debt protection metrics, intense competition and inherent risk of the industry.

Key Rating Sensitivities:

- **Upward Rating Factor:**
  - Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
  - Improvement in the capital structure with further improvement in debt protection metrics.
- **Downward Rating Factor:**
  - Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
  - Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Management: The company has an experienced management team with decades of experience in the same line of business. Managing director of the company Mr. Sundeep Kumar Dhawan has more than 2 decades of experience in the line of agro trading business. Mr. Vijay Kumar Sharma, CEO, has experience of almost 2 decades and is well supported by the team of experienced professionals.

Foray into new edge businesses & broad basing its product portfolio

The company has recently forayed into the Agro Products segment /Consumer segment and has been empanelled with National Agricultural Cooperative Marketing Federation of India Limited (NAFED), Ministry of Agriculture, Government of India for expanding its Agro Products business. As of January 13th, 2022, the company has entered into definite agreement with the existing promoters/shareholders for acquiring 75% equity of Genesis Gas Solutions Private Limited (the 'Genesis'), a company engaged in the business developing "Smart Products" including Smart Gas Meters & Power Distribution solutions for the ever-expanding infrastructure in India, in a cash deal amounting Rs. 250 million, payable in stages. The company has also diversified into trading of infra products including TMT bars and HDPE pipes.

Improved scale of operation albeit operating losses in FY22: Total operating income of the company has increased by 293% to Rs. 294.98 Crores in FY22 compared to Rs. 74.99 Crores in FY21 due to significant increase in income from trading of different products. The company, apart from manufacturing polymer and rubber compounds, has forayed into trading of agri-commodities, plastic products and steel products which has led to significant increase in its sales in FY22 on y-o-y basis. However, the company has reported operating loss in FY22 as compared to EBITDA margin of 10.36% in FY21 whereas the company has reported net profit in FY22 as against net loss in FY21 due to reporting of gain on fair value of investments (including realised gain of Rs.9.37 crore) of Rs. 40.91 crore. Further the GCA of the company has improved from Rs.1.72 crores in FY22 to Rs. 6.60 crore in FY22 mainly due to realised gain on fair valuation of investments of Rs. 9.37 crore. The company has reported PAT of Rs. 12.85 crore on total operating income of Rs. 346.36 crore in 9MFY23 as against PAT of Rs. 5.78 crore on total operating income of Rs. 198.33 crore in 9MFY22.

Comfortable capital structure: Overall gearing of the company has improved to 0.03x as on March 31, 2022 compared to 0.63x on March 31, 2021, similarly TOL/TNW of the company has improved to 0.54x as on March 31, 2022 compared to 1.23x on March 31, 2021 due to decrease in the debt level and increase in the net worth because the company had come out with rights issue of equity shares in FY22 through which it was able to raise Rs.96.13 crore. The company further plans to raise equity share capital to the tune of Rs. 80 crore in FY23 of which it has already raised Rs.50 crore in H1FY23.

Key Rating Weaknesses

Weak Debt protection metrics: ISCR of the company has remained at (1.24) x in FY22 due to operating loss in FY22 compared to 2.00x in FY21. However, Total Debt/GCA improved to 0.99x in FY22 due to decline in debt and increase in gross cash accruals in FY22 as against 24.23x in FY21.

Intense competition:

The agro trading and processing industry is highly fragmented and is marked by the presence of a large number of large players and small players in the market. This intensifies competition and limits the pricing flexibility of the industry participants resulting in low profitability.

Inherent Risk of the industry:

The company is engaged in processing and trading of agro based products; thus it is exposed to risk associated with the fluctuation in production levels, uncertain weather conditions and limited shelf life of the products.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Policy for Placing Ratings on Credit Watch

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate as cash accruals are expected to remain sufficient to meet the debt repayment obligations. The overall utilisation of the fund-based limits remained high at 82.15% during the last 12 months ended August 2022. The current ratio stood at 1.40 times as on 31st March 2022. The unencumbered cash and bank balances remained at Rs. 5.24 crores as on 31st March 2022 which increased from Rs. 0.19 crore as on March 31, 2021. Operating cycle of the company has improved in FY22 to 29 days from 53 days in FY21due to decrease in the inventory period and collection period of the company with an increase in scale of operations.

About the Company

Vikas Lifecare Limited is a Delhi based company which was incorporated in 1995 and is promoted by Mr. Vikas Garg and Mr. Vivek Garg. Company is engaged in trading and manufacturing of polymer, rubber compounds and additives for plastics, synthetic & natural rubber. Recently, it has been engaged into Trading of agro products and processing of cashews. VLL has the cashews processing facility in Mangalore district with an installed capacity of 1000 tones/day. Of late, the company has also diversified into trading of infra products including TMT bars and HDPE pipes.

Financials (Standalone) **INR in Crore**

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	74.99	294.98
EBITDA	7.77	-2.38
PAT	-3.50	27.93
Total Debt	41.76	6.57
Tangible Net Worth	66.67	188.95
EBITDA Margin (%)	10.36	-0.81
PAT Margin (%)	-4.61	9.10
Overall Gearing Ratio (x)	0.63	0.03

**Classification as per Infomerics' standards*

Details of Non-Co-operation with any other CRA: None

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2022-23)				Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating		Date(s) & Rating(s) assigned in 2021-22 (January 18, 2022)	Date(s) & Rating(s) assigned in 2020-21 (October 23, 2020)	Date(s) & Rating(s) assigned in 2019-20 (July 25, 2019)
Long Term/Short Term Bank Facility-eDFS	Long Term/ Short Term	4.49	IVR BB+/ IVR A4+/RWDI*	IVR BB+/Stable/IVR A4+ (Press Release October 10, 2022)	IVR BB+/Stable; IVR A4+	-	-

Fund Based Facility – Working Capital	Long Term	36.00	-	Withdrawn	IVR BB+ / Under Credit watch with negative implications	IVR BBB
Fund Based Facility – Term Loan	Long Term	1.00	-	Withdrawn	IVR BB+ / Under Credit watch with negative implications	IVR BBB
Non-Fund Based- LC/BG Limit	Short Term	14.70	-	Withdrawn	IVR A4+	IVR A3+

***Rating watch with developing implications**

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term/Short Term Fund Based Facility – eDFS	-	-	-	4.49	IVR BB+/IVR A4+/RWDI*

Rating watch with developing implications

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-VLL-feb23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.