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SMERA RATINGS LIMITED

NSIC - D&B - SMERA Rating Report

VISHWAKARMA ENGINEERING WORKS

Opposite Divamani Sarda Society,
Block No. 1, Near Kondhwadi, Jintan Road,
Surendranagar - 363 002
Gujarat
India

Date of Report : 13th March, 2014 *

Valid Till : 12th March, 2015

Legal Form : Proprietorship Concern

NSIC - D&B - SMERA Rating : SE 4B (Weak Performance Capability and Moderate Financial Strength)				
RATING INDICATORS				
		Financial Strength		
		High	Moderate	Low
Performance Capability	Highest	SE 1A	SE 1B	SE 1C
	High	SE 2A	SE 2B	SE 2C
	Moderate	SE 3A	SE 3B	SE 3C
	Weak	SE 4A	SE 4B	SE 4C
	Poor	SE 5A	SE 5B	SE 5C

* This rating is a one-time exercise and does not envisage automatic surveillance. This rating is valid for a period of one year; subject to however, no significant changes / events occur during that period which could materially affect the business and financials parameters of the organization / project. SMERA recommends that the user of the rating may seek a review of the rating, if the rated entity experiences significant changes / events in the business. Recommended for review in next financial year.



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SNAPSHOT

D&B D-U-N-S® Number	87-219-4863
Entity Name	VISHWAKARMA ENGINEERING WORKS
Administrative Office Address	Opposite Divamani Sarda Society, Block No. 1, Near Kondhwadi, Jintan Road, Surendranagar – 363 002 Gujarat India
Mobile Number	(91) (9879515978)
Email ID	devindiavis@gmail.com devindiavis@yahoo.com
Line of Business	Manufacturing & Trading of industrial Sewing Machine Spare Parts and job work of automobile parts
Chief Executive	Mr. Prayes Harilal Makwana, Proprietor
NSIC - D&B - SMERA Rating	SE 4B (Weak Performance Capability and Moderate Financial Strength)
Entrepreneur's Memorandum Number	24/008/11/01520/Part - II
Category of Promoter	General
Establishment Date	01/May/1965
Total Employees	01
Import	Yes
Sales Territory	Domestic & Export



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COMPANY PROFILE

BACKGROUND

Vishwakarma Engineering Works (hereafter referred as Subject) was established in the year 1965 as a proprietorship concern by Mr. Harilal Makwana.

Later in the year 2002, Mr. Prayes Harilal Makwana became proprietor of subject.

OPERATIONS

The subject is engaged in Manufacturing & trading of industrial Sewing Machine Spare Parts and job work of automobile parts.

PRODUCTS

- ☐ Needle
- ☐ Bearing Clutch (Job work)



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FINANCIAL SNAPSHOT

COMPARATIVE FIGURES (₹ IN THOUSANDS)

Statement (End) Date	31/Mar/2011	31/Mar/2012	31/Mar/2013
Current Assets	412	563	880
Current Liabilities	0	83	0
Working Capital	412	480	880
Other Tangible Assets	727	758	255
Tangible Net Worth	1,139	1,238	1,135
Cash & Bank	292	399	730
Fixed Assets	35	35	35
Accounts Payable	0	83	0
Inventory	120	164	150
Income	358	664	564
Net Profit(Loss) After Tax	217	220	160

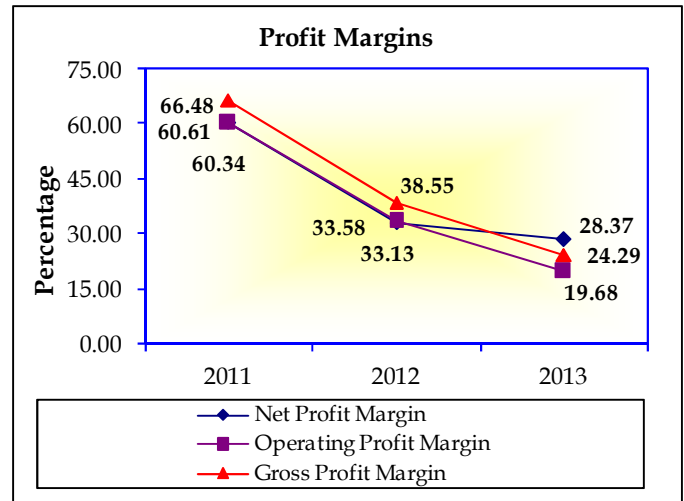
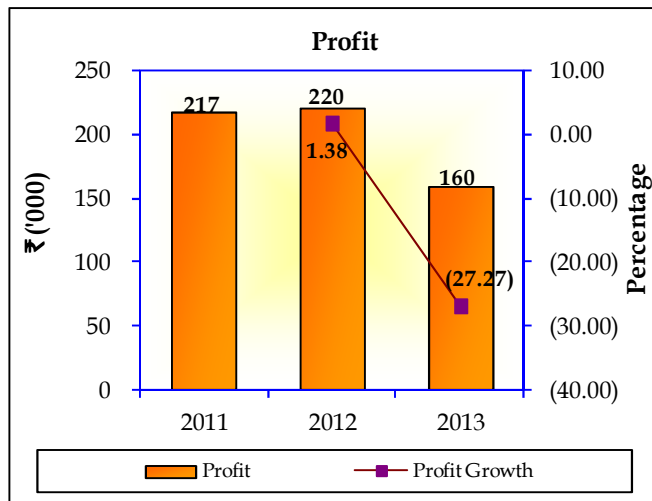
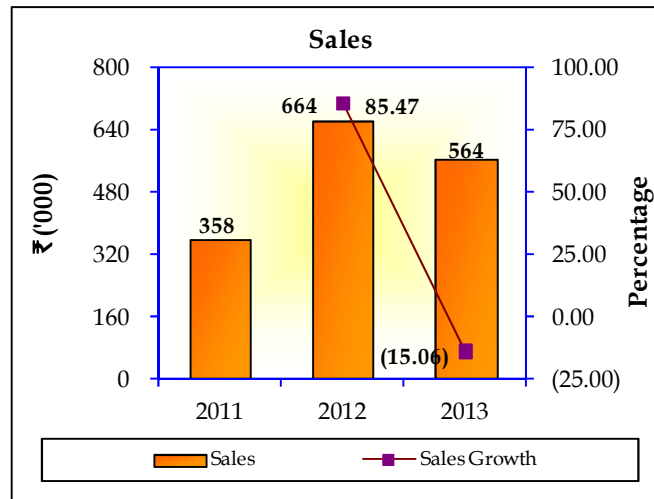
SALIENT FEATURES

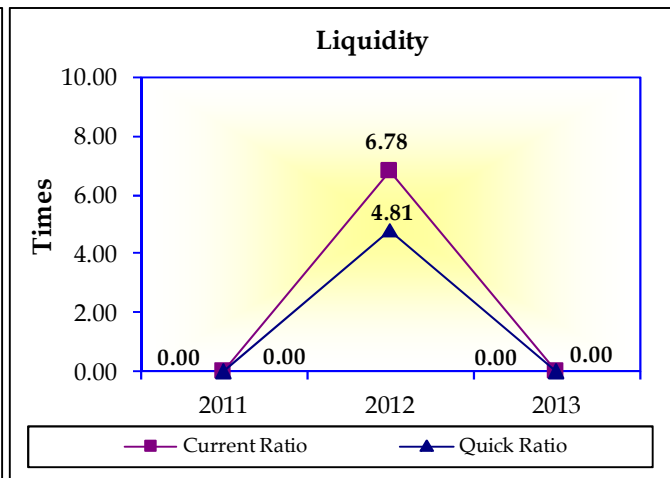
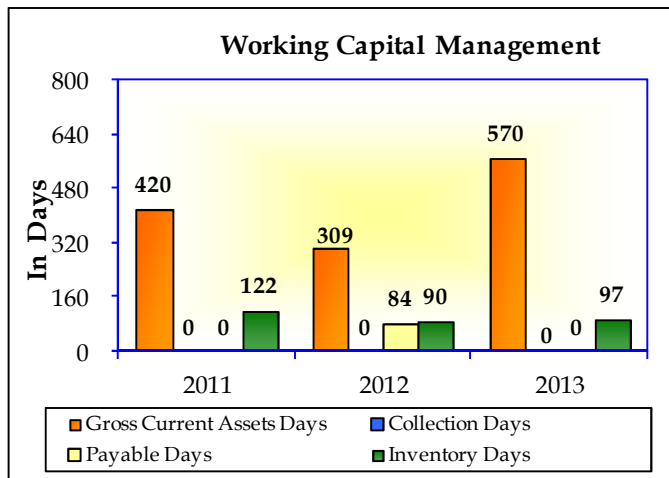
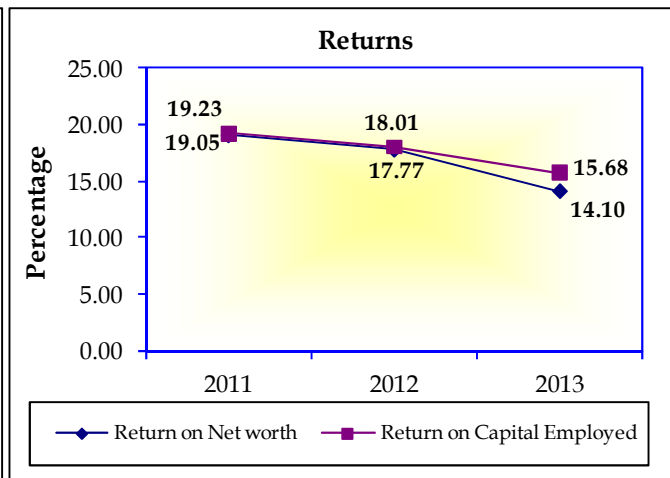
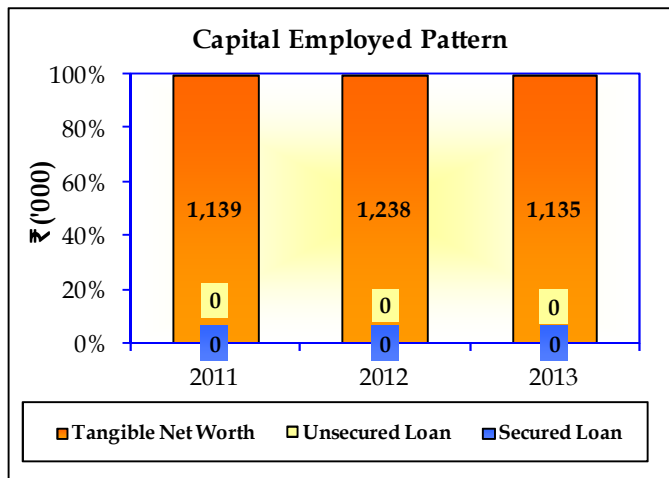
STRENGTHS	RISK FACTORS
<ul style="list-style-type: none"> Experienced management. 	<ul style="list-style-type: none"> Low scale of business operations. Profit margins have declined during the period under study. Capital employed is more than the revenue during the period under study.

OTHER INFORMATION

- As informed by management, subject has earned revenue of ₹ 1,000 (in thousands) for the period April, 2013 to January, 2014.
- Net profit is arrived after considering non operating income of ₹ 03 (in thousands) in FY 2011 and ₹ 67 (in thousands) in FY 2013 which includes interest income.
- Subject does not have any borrowings from bank / financial institution as on 31/Mar/2013.
- Around 73 % of revenue generated through export and hence, subject is susceptible to foreign exchange fluctuation. Subject mainly exports to Bangladesh, United Kingdom and Serbia
- As informed by management, pollution control norms are not applicable to the subject.
- Subject is planning to install new machinery at existing location. Total project cost would be ₹ 23 (in lakhs) and same would be financed through bank borrowings of ₹ 18.00 (in lakhs) and rest by owned fund.

FINANCIAL TREND





FISCAL BALANCE SHEET (₹ IN THOUSANDS)

Date	31/Mar/2011	31/Mar/2012	31/Mar/2013
<u>Assets</u>			
<u>Current Assets</u>			
Cash & Bank	292	399	730
Inventory / Work-in-Progress	120	164	150
Total Current Assets	412	563	880
<u>Fixed Assets</u>			
Plant & Equipment	25	25	25
Other Fixed Assets	10	10	10
Total Fixed Assets	35	35	35
<u>Investments</u>			
Investment in Properties	95	94	56
KVP & NSC	597	629	164
Total Investments	692	723	220
<u>Total Assets</u>	1,139	1,321	1,135
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	0	83	0
Total Current Liabilities	0	83	0
<u>Equity</u>			
Capital	1,139	1,238	1,135
Total Equity	1,139	1,238	1,135
<u>Total Liabilities</u>	1,139	1,321	1,135



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PROFIT & LOSS ACCOUNT (₹ IN THOUSANDS)

Financial Year	2011	2012	2013
Months Covered By P/L	12	12	12
Income	358	664	564
Cost of Sales	(120)	(408)	(427)
Employee Cost	(60)	(72)	
Rent / Repairs and Maintenance	(8)	(5)	(3)
Electricity Charges	(11)	(10)	(10)
Other Direct Expenses	(2)	(3)	
Raw Material Consumption Cost	(39)	(318)	(414)
Gross Profit (Loss)	238	256	137
General Operating Expenses	(22)	(33)	(26)
Net Operating Profit (Loss) After Depreciation and Before Interest	216	223	111
Non Operating Income	3		67
Finance Expenses	(2)	(3)	(18)
Net Profit(Loss)	217	220	160

The above financials are taken from CA certified accounts of the subject.

FINANCIAL RATIOS

	2011	2012	2013
<u>Growth Ratios</u>			
Sales Growth (%)	-	85.47	(15.06)
Net Profit Growth (%)	-	1.38	(27.27)
<u>Turnover Ratios</u>			
Account Payable (Days)	0.00	84	0.00
Inventory Holding period (Days)	122	90	97
Gross Working Capital (Related to operation) to sales (Days)	420	309	570
Sales to Net Working Capital (Times)	0.87	1.38	0.64
Assets to Sales (%)	318.16	198.95	201.24
Fixed Assets Turnover Ratio	10.23	18.97	16.11
<u>Profitability Ratios</u>			
Gross Profit Margin (%)	66.48	38.55	24.29
Operating Profit Margin (%)	60.34	33.58	19.68
Net Profit Margin (%)	60.61	33.13	28.37
Return on Assets (%)	19.05	16.65	14.10
Return on Net Worth (Return on Equity) (%)	19.05	17.77	14.10
Return on Capital Employed (%)	19.23	18.01	15.68
<u>Liquidity Ratios</u>			
Quick Ratio	-	4.81	-
Current Ratio	-	6.78	-
<u>Gearing & Solvency Ratios</u>			
Fixed Assets to Tangible Net Worth (%)	3.07	2.83	3.08
Current Liabilities to Tangible Net Worth (%)	0.00	6.70	0.00
Total Liabilities to Tangible Net Worth (%)	0.00	6.70	0.00



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FINANCIAL CERTIFIED BY

Arvind A. Thakkar & Co. (Chartered Accountants)

Ahmedabad
Gujarat
India



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BANK

Information in this report may not represent the full extent of subject's bank relationships.

Name of the Bank	State Bank of India
Branch	Vadipara, Surendranagar
Dealing Since	2002
Account Type	Current Account
Account Number	56101004541

No Independent confirmations were obtainable from banker.

INSURANCE

- ☐ As informed by the management, Subject has not taken insurance cover for stock and plant & machinery.



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CAPITAL DETAILS

Proprietor's Capital	₹ 1,135 (in thousands) as on 31/Mar/2013
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PROPRIETOR'S DETAILS

Name	Prayes Harilal Makwana
Year of Birth	1974
Current Designation	Proprietor
Appointed to Present Position	2002
Started with Subject	2002
Educational Qualification	Pre University
Experience in Similar Industry since	1994
Active in Daily Operations	Yes
Founder of Subject	Yes
Residential Address	80 Feet Road, Sanjiv Society, Surendranagar - 363 002 Gujarat India
Permanent Account Number	ALIPM4776C
Mobile Number	(91) (9879515978)
Net Worth	Details are not available with SMERA

DEPARTMENTAL HEADS

Executive Name	Position Held	Educational Qualification	Year of Joining	Years of Experience
Kamlesh Makwana	Manager and Head Production	Details are not available with SMERA	2008	05

SALES MIX

Particulars	Sales Mix (%)		
	FY 2011	FY 2012	FY 2013
Manufacturing	27	61	73
Job Work	73	39	27
Total	100.00	100.00	100.00

PRODUCT CONTRIBUTION TO TOTAL SALES

Product Name	Product Contribution To Total Sales (%)		
	FY 2011	FY 2012	FY 2013
Needle	27	61	73
Bearing Clutch	73	39	27
Total	100.00	100.00	100.00

PRODUCTION DETAILS

- ☐ Details of actual output and production capacity are not available with SMERA.



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PURCHASES

Particulars	FY 2011	FY 2012	FY 2013
	(%)	(%)	(%)
Domestic	40	40	-
Import	60	60	100

PURCHASING TERMS

Domestic	Cash Open Account: 45 days
Import	Advance Telegraphic Transfer

SUPPLIERS

Suppliers Name and Location	Materials Purchased	Length of Relationship (Years)
R. Amnalal & Co. Surendranagar	Steel Material	10
Noble Steels, Surendranagar		10
A- One Bright, Ahmedabad		10

☐ Subject has not provided the overseas suppliers details.



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SALES

Particulars	FY 2011	FY 2012	FY 2013
	(%)	(%)	(%)
Domestic	40	40	23
Exports	60	60	73

SELLING TERMS

Domestic	Open Account: 45 days
Exports	Advance Telegraphic Transfer

CUSTOMERS

MAJOR CUSTOMER TYPES

- Textile Industry
- Automobile Industry

MAJOR CUSTOMERS

Customer Name and Location	Length of Relationship (Years)	% Share in Sales
Novago, Serbia	Details are not available with SMERA	
Dennium International Limited, United Kingdom		
S. S. Trade International, Bangladesh		

- ☐ As informed by the management, subject does job work for local customer.



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LIST OF ORDERS IN HAND

- ☐ As informed by the management, Subject receives open orders from its customer.

EMPLOYEE(s) DETAILS

- ☐ Subject has only one employee.

GROUP / RELATED ENTITIES

Entity Name & Location	Line of Business	Key Financials for FY 2013 (₹ in thousands)			
		Net Sales	Net Profit	Total Debt	Total Net worth
Dev Engineering Works	Manufacturing of Auto Parts	Details are not available with SMERA			



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CIBIL DEFAULTERS LIST

As observed from the CIBIL Defaulters list that is publicly available, the subject is not enlisted as a defaulter.

AWARDS / REGISTRATIONS / MEMBERSHIPS / CERTIFICATES

Certificates	Membership/Registration/Consent No.
Importer – Exporter Code	2405002329

- ☐ As informed by management, pollution control norms are not applicable to the subject.

SITE VISIT (CONDUCTED ON 08/MAR/2014)

Address	Opposite Divamani Sarda Society, Block No. 1, Near Kondhwadi, Jintan Road, Surendranagar - 363 002 Gujarat India
Size of Premise	Land : 900 (Square Feet) Building : 900 (Square Feet)
Site Details Type	Industrial Area
Site Location	Main Road
Location Used As	Administrative Office and Factory
Kind of Buildings	Adobe Building
Is unit using any Asbestos Roof	No
On Floor	Ground Floor
Total Floors in Building	Ground Floor
Type of Occupation	Occupied
Owner's Name	Mr. Prayes Harilal Makwana
Does Group Companies share the Office	No
Is the office furnished	No
Any Fire Extinguishers	No
No. of people working at this location	01
Any child labour involved	No
Does Proprietor / Proprietrix sit at the site location	Yes
Were Proprietor / Proprietrix present at the time of interview	Yes
Are there any competitors around	No
Are there any nameplates outside the premises	No
Major Raw Material / Purchases	Carbon Steel, Stainless Steel Etc.
Power Load Available	Details are not available with SMERA
No. of shifts that the unit is operating	Single shift per day
<u>Site equipped with following facilities:</u>	
Telephone	No
Fax	No
Internet	No
Printer	No
Modem	No
Power Back up	No
UPS	Yes
Security Guards	No
Signage, Name Plates	No
Name of the Executive contacted	Mr. Prayes Harilal Makwana, Proprietor

ONGOING / FUTURE EXPANSION PROJECTS

Nature of Project	Subject is planning to install new CNC Machine for job work of automobile parts
Start date of the Project	Details are not available with SMERA
End date of the Project	
Date of Commercial Production	

PROJECT COST

(₹ in Lakhs)

Sr. No.	Particulars	Amount
1	CNC Machine	23.00
	Total	23.00

MEANS OF FINANCE

(₹ in Lakhs)

Sr. No.	Particulars	Amount
1	Bank Loan	18.00
2	Owned Fund	5.00
	Total	23.00

GLOSSARY OF KEY RATIOS AND THEIR COMPUTATION

Ratios	Description
Growth Ratios	% change in variable in the current year over the previous (base) year
Sales Growth	% change in sales in the current year over the previous year
Net Profit Growth	% change in net profit in the current year over the previous year
Turnover Ratios	
Collection Period (Days)	<p>Collection Days is calculated by dividing the days in a year by the debtors' turnover. The collection period represents the number of days' worth of credit sales that is blocked with the debtors (accounts receivable). It is computed as follows:</p> $\text{Collection Period} = \frac{(\text{Accounts receivable} + \text{Bills Receivable}) \times 365}{\text{Credit Sales}}$
Account Payable (Days)	<p>Account Payable Days is a measure of the average time a company takes to pay vendors</p> $\text{Account Payable Days} = \frac{(\text{Accounts payable} + \text{Bills Payable}) \times 365}{\text{Credit Purchases}}$
Sales to Inventory (Times)	<p>Sales to Inventory is a measure of number of times inventory is converted into sales</p> $\text{Sales to Inventory (Times)} = \frac{\text{Sales}}{\text{Inventory}}$
Assets to Sales	Total Assets / Sales
Sales to Net Working Capital	<p>Sales / Net Working Capital</p> <p>Wherein Net Working Capital = Current Assets – Current Liabilities</p>
Fixed Assets Turnover Ratio	Sales / Fixed Assets
Profitability Ratios	
Gross Profit/ Loss Margin	<p>Measure of profit or loss earned / incurred after charging all direct expenses from sales</p> $\text{Gross Profit / Loss (\%)} = \frac{\text{Gross Profit / Loss}}{\text{Sales}} \times 100$
Operating Profit Margin	<p>Measure of profit or loss earned / incurred after charging all direct expenses plus indirect expenses from sales and other operating income pertaining to core business activities</p> $\text{Operating Profit / Loss (\%)} = \frac{\text{Operating Profit / Loss}}{\text{Sales}} \times 100$

Net Profit Margin	<p>Measure of net profit or loss earned / incurred after considering all incomes and expenses including taxes</p> <p>$\text{Net Profit / Loss (\%)} = \frac{\text{Net Profit / Loss} \times 100}{\text{Sales}}$</p>
Return on Assets	$\text{Net Profit (Loss) after Tax} / \text{Total Assets} \times 100$
Return on Net Worth	$\text{Net Profit (Loss) after Tax} / \text{Tangible Network} \times 100$
Return on Capital Employed	$\text{Net profit} + \text{Interest} / \text{Capital Employed} \times 100$
Liquidity Ratios	
Current Ratio	<p>This ratio measures the short term liquidity of the enterprise and its ability to meet short-term debt obligation usually during the next 12 months</p> <p>Current Ratio = Current Assets / Current Liabilities</p>
Quick Ratio	<p>Quick Ratio (QR) is the ratio between quick current assets (QA) and CL. QA refers to those current assets that can be converted into cash immediately without significant value dilution. QA includes cash and bank balances, short-term marketable securities and sundry debtors. Inventory and prepaid expenses are excluded since these cannot be turned into cash as and when required</p> <p>Quick Ratio = Quick Assets / Current Liabilities</p>
Gearing and Solvency Ratios	
Fixed Asset to Tangible Network	$\text{Fixed Assets} / \text{Tangible Network}$
Current Liability to Tangible Network	$\text{Current Liability} / \text{Tangible Network}$
Total Liabilities to Tangible Network	$\text{Total Liabilities} / \text{Tangible Network}$
Total Borrowings to Tangible Network	$(\text{All short term and long Term Secured and Unsecured Loan}) / \text{Tangible Network}$
Debt Equity Ratio	<p>This ratio shows the relative proportion of debt and equity in financing the assets of a firm. Debt includes long-term borrowings and equity includes net worth (paid-up equity capital and reserves and surplus) and preference capital.</p> <p>Debt - Equity Ratio = Long Term Debt / Tangible Network</p>
Interest Coverage Ratio	<p>This ratio is used to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period</p> <p>$\text{Earnings before interest and taxes} / \text{Interest Expenses}$</p>
Tangible Network	$\text{Shareholders Fund (Equity Capital plus Preference Capital plus}$



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	Reserves Less Intangibles Less Deferred Tax Asset)
Capital Employed	Tangible Networth plus Secured Loans plus Unsecured loans plus Deferred Sales Tax Loan plus Deferred Tax Liability

For the purpose of deriving rating, combination of above mentioned ratios would be used and calculations of these ratios may change based on nature of entities and at the discretion of SMERA Analyst.



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CURRENCY: All amounts in this report are in local currency unless otherwise stated.

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