

Press Release

Vam Infrastructure Private Limited

June 05, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Upgraded from ACUITE B+/Stable)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) from '**ACUITE B+**' (**read as ACUITE B plus**) and reaffirmed short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 5.50 crore bank facilities of Vam Infrastructure Private Limited (VIPL). The outlook is '**Stable**'.

The upgrade in the rating is in the view of continuous improvement in operating income, moderate debt protection measures and increasing no. of orders which the company has managed to get by bidding in private as well as government projects leading to improvement in financial risk profile.

VAM Infrastructure Private Limited was incorporated in 2012 as a private limited company by Mr. Pritam Ghagor. The promoters have long experience in execution Interior Design & Built as a contractor. VAM is engaged in interior designing for government and private projects.

Analytical Approach

Acuité has considered the standalone financial and business risk profiles of VIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

VAM is promoted by Mr. Pritam Ghagor who also manages the day to day operations of the company. He has an experience of around more than a decade in the same line of business. VAM is engaged in providing interior design and built under government and private entities. The promoter's extensive experience is also reflected through the healthy order book position, order book remains at Rs.25.00 crore as on 31 March, 2019. Hence, the healthy order book provides modest revenue visibility for the company over the medium term. Acuité believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

- **Reputed clientele**

The company has catered to reputed clients including Asian Paints Limited (APL), JSW Steel Limited (JSW), Mahindra Lifespace Developers (MLD), Tata Motors (TM), GE Global.

Weaknesses

- **Average Financial Risk Profile**

VAM's financial risk profile is marked by its low net worth, low gearing and moderate debt protection measures. The net worth increased to Rs.5.46 crore as on 31 March, 2019 (Provisional) as against Rs.4.74 crore in the previous year on account of increasing revenues and stable profitability leading to higher accretion to reserves. The company's gearing is estimated to be low at 0.82 times as on 31 March, 2019 (Provisional) as against 0.96 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 0.96 times as on March 31, 2018. The total debt of Rs.4.50 crore consists of Rs.4.50 crore of short term debt obligations. The moderate profitability levels has resulted in moderate net cash accruals of Rs.0.74 crore during 2016-18, leading to moderate debt protection measures. The interest coverage ratio

stood at 2.35 times in FY19 (Provisional) as against 1.97 times in the previous year. NCA/TD ratio stood 0.16 times in FY19 (Provisional). Acuité believes that the financial risk profile will continue to remain average on account of moderate cash accruals.

• Working capital intensive nature of operations

The operations are working capital intensive as reflected in the Gross Current Asset (GCA) of 167 days in FY2019 (Provisional) compared to 303 days in FY2018. The high GCA days are due to stretched debtors and high inventory. The debtor days stood at 91 days in FY 2019 (Provisional) compared to 185 days in FY2018. The company has on an average utilized ~ 100 per cent of its working capital limits in the last six months ended March 2019.

Liquidity Position

VAM has adequate liquidity marked by moderate net cash accruals against no long term debt obligations. The company generated cash accruals of ~Rs.0.21 to Rs. 0.74 crore during the last three years through 2017 - 18. The cash accruals of the company are estimated to remain at around Rs. 0.75- Rs.0.85 crore during 2019-21. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 167 in FY 2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.0.26 crore as on March 31, 2019 (Provisional). The current ratio of the company stood moderate at 1.59 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual while there are no long term debt obligations.

Outlook: Stable

Acuité believes that the outlook on VAM's rated facilities will remain stable over the medium term on account of its promoter's extensive experience, reputed clientele and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	27.68	23.69	10.47
EBITDA	Rs. Cr.	1.83	1.42	1.00
PAT	Rs. Cr.	0.73	0.44	0.17
EBITDA Margin	(%)	6.60	5.98	9.54
PAT Margin	(%)	2.62	1.86	1.62
ROCE	(%)	18.80	13.86	9.34
Total Debt/Tangible Net Worth	Times	0.82	0.96	0.89
PBDIT/Interest	Times	2.35	1.97	1.41
Total Debt/PBDIT	Times	2.46	3.21	4.99
Gross Current Assets (Days)	Days	167	303	602

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Aug-2018	Cash Credit	Long Term	4.50	ACUITE B+ (Indicative)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Indicative)
01-Jun-2017	Cash Credit	Long Term	4.50	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Reaffirmed)
26-Feb-2016	Cash Credit	Long Term	4.50	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB- / Stable (Upgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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