

Press Release

Vishwakarma Auto Parts Private Limited (VAPPL)

23 October, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.5.50 Crore
Long Term Rating	SMERA B+/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (**read as SMERA B plus**) to the above mentioned bank facilities of Vishwakarma Auto Parts Private Limited. The outlook is '**Stable**'.

Vishwakarma Auto Parts Private Limited (VAPPL), a Delhi-based company, was established in 1985 as a proprietorship concern by Mr. Ashwani Kumar and became a private limited company in 2011. The company is led by Directors Mr. Ashwani Kumar, Mr. Pradeep Kumar and Mr. Rajinder Kumar. VAPPL is engaged in the production of automotive parts used in tractors, four wheelers and two wheelers.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters & established relationship with reputed customers: The group is led by Mr. Ashwani Kumar, Mr. Praveen Kumar and Mr. Rajinder Kumar, who possess more than three decades of experience in the automotive industry. Since inception, the group has been catering to reputed customers such as New Holland Tractors, Tafe Tractors, Escort Tractors and Bridgestone Group.

Stable revenue growth: The group reported operating income of Rs. 70 cr for 10 months ended 31 January, 2017 (Provisional) against Rs. 35.60 cr in FY2015-16. The Vishwakarma Group (VG) is expected to post sustained growth in its scale of operations over the medium term on the back of its experienced management and long standing ties with reputed clients. SMERA believes that the entity's ability to leverage its relationships with such clients shall be instrumental in maintaining a stable credit risk profile.

Weaknesses:

Average financial risk profile: The average financial risk profile of the group is marked by modest net worth base of Rs.13.66 cr as on 31 March, 2016. It was Rs.11.89 cr on 31 March, 2015. Further, the gearing of the group stands high at 2.45 times as on 31 March, 2016 as against 2.71 in 31 March, 2015. The high gearing is on account of moderate net worth of Rs.13.66 cr as against the total debt of Rs.33.51 cr in FY2015-16. The total debt includes term loan of Rs.14.25 cr, unsecured loan of Rs.8.76 cr from promoters and working capital limit of Rs.7.50 cr. The interest coverage of the group stood at 1.31 times in FY2016 as against 1.79 times in the previous year. SMERA expects the debt protection metrics to remain at the current levels on account of significant debt servicing commitment of the group over the near to medium term. VG's ability to maintain adequate operating cash flows vis-à-vis its capital expenditure and debt servicing commitments shall be key credit monitorables.

Competitive landscape in the automotive industry: VG operates in a highly competitive business environment marked by the presence of a large unorganised and fragmented market. Suboptimal offtake by OEMs may weigh down on VG's operating performance over the near to medium term.

Stretched working capital: The group's working capital cycle is stretched, evident from the high gross current assets (GCAs) of 282 days in FY2015-16 (as compared to 202 days in FY2014-15). This is in account of high inventory - 229 days in FY2015-16. Further, the average bank limit utilisation is in excess of 90 per cent.

Analytical approach: While assigning the rating, SMERA has taken into account the consolidated operational and financial performance of Vishwakarma Auto Parts Private Limited (VAPPL) and its group company, Vishwakarma Automotive Private Limited (VAPL). The consolidation is in view of the common management, presence of significant inter-company transactions as well as substantial operational and financial linkages.

Outlook: Stable

SMERA believes VG will maintain a stable outlook in the medium term on the back of established operations and long standing experience of the promoter. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenue while improving profit margins. Conversely, the outlook may be revised to 'Negative' in case profit margins of the firm further deteriorate.

About the entity

Vishwakarma Auto Parts Private Limited and Vishwakarma Automotive Private Limited, established in 1985 and 2011 respectively, are part of the Vishwakarma Group. The group's manufacturing facilities are based out of Ballabghar in Faridabad. Vishwakarma Automotive Private Limited (VAPL) took over Pranshu Appliances Private Limited in 2011 as part of its backward integration plans. The company is into metal casting and it is used as a raw material for manufacturing of automotive parts.

The company sells around 60 per cent of its products to Vishwakarma Auto Parts Private Limited (VAPPL). For FY2016, the group reported profit after tax (PAT) of Rs.0.57 cr on operating income of Rs.35.60 cr, as compared with PAT of Rs.0.40 cr on operating income of Rs.44.83 cr in FY2015. The net worth stood at Rs.13.66 cr as on March 31, 2016 against Rs.11.89 cr a year earlier.

About the rated entity - Key financials

For FY2016, the company reported profit after tax (PAT) of Rs.0.34 crore on operating income of Rs.33.60 crore, as compared with PAT of Rs.0.07 crore on operating income of Rs.17.74 crore in FY2015. The net worth stood at Rs.6.57 crore as on 31 March, 2016 against Rs.5.04 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Applicable Criteria

- Manufacturing entities - <https://www.smera.in/criteria-manufacturing.htm>
- Consolidation of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

- Default Recognition - <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

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

Rating History:

Name of Instrument /Facilities	FY2018			FY2018		FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.50	SMERA B+/Stable (Reaffirmed)	24 th April, 2017	SMERA B+/Stable (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA B+/Stable (Reaffirmed)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Mrinal Mahip, Executive Analyst – Rating Operations Tel: 011-49731304 Email: mrinal.mahip@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.