

Press Release

Virtual Galaxy Infotech Private Limited (VGIPL)

17 January, 2018



Rating Assigned

Total Bank Facilities Rated	Rs.17.00 crore
Long Term Rating	SMERA BB+/ Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (**read as SMERA Double B Plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four Plus**) on the above mentioned bank facilities of Virtual Galaxy Infotech Private Limited (VGIPL) . The outlook is '**Stable**'.

The Nagpur-based Virtual Galaxy Infotech Private Limited (VGIPL), was established in 1997 by Mr. Avinash Shende and Mr. Sachin Pande (Directors). The company provides Information Technology services such as Core Banking Software (CBS) Solutions, ERP, e-governance services.

List of key rating drivers and their detailed description:

Strengths

Established operational track record and experienced management

VGIPL was incorporated in 1997. The company enjoys long term relations with suppliers and customers. The day-to-day operations are led by first generation entrepreneurs, Mr. Avinash Shende and Mr. Sachin Pande who possess extensive experience in the Information Technology industry.

Above average financial risk profile

The financial risk profile is moderate marked by net worth of Rs. 18.76 crore as on 31 March, 2017 as against Rs. 17.71 crore as on 31 March, 2016. The gearing stood at 0.67 times as on 31 March, 2017 against 0.76 times as on 31 March, 2016. The total debt of Rs 12.65 crore comprises unsecured loan of Rs. 0.98 crore from relatives, long term borrowing of Rs 3.68 crore and short term borrowing of Rs. 7.99 crore as on 31 March, 2017. The Interest Coverage Ratio stood at 2.69 times for FY2017 and 2.87 times for FY2016. In FY2017, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.30 times.

The operating margins stood at 26.62 percent in FY2017 compared to 26.43 percent in FY2016 while PAT margins stood at Rs.4.19 percent in FY2017 as against 3.90 percent in FY2016.

Diversified clientele

VGIPL caters to over 1,000 co-operative banks, ERP services, manufacturing companies to name a few.

Working capital intensive operations

The working capital cycle is stretched marked by GCA of 385 days in FY2017 as against 394 days in FY2016. The Gross Current Asset (GCA) days are mainly dominated by debtor days of 292 in FY2017 as against 289 in FY2016 owing to delay in receivables of Rs.8.38 crore out of total debtors of Rs. 18.54 crore as on December 31, 2017. SMERA believes that the working capital management will be crucial to the company in order to maintain a stable credit profile.

Highly fragmented and competitive service industry

VGIPL operates in a highly fragmented service industry with a large number of players in the organised and unorganised segment.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Virtual Galaxy Infotech Private Limited to arrive at the rating.

Outlook - Stable

SMERA believes that the company will maintain a stable outlook and benefit over the medium term from its promoters extensive industry experience. The rating outlook may be revised to 'Positive' in case of sustainable growth in revenues or operating margins. Conversely, the outlook may be revised to 'Negative' if the working capital cycle further deteriorates due to stretch in payment realisation from customers or if the company undertakes significant debt funded capex leading to deterioration in its financial risk profile especially liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.07	23.72	26.28
EBITDA	Rs. Cr.	6.67	6.27	4.90
PAT	Rs. Cr.	1.05	0.92	0.92
EBITDA Margin	(%)	26.62	26.43	18.65
PAT Margin	(%)	4.19	3.90	3.50
ROCE	(%)	12.91	11.76	24.55
Total Debt/Tangible Net Worth	Times	0.67	0.76	0.88
PBDIT/Interest	Times	2.69	2.87	2.27
Total Debt/PBDIT	Times	1.87	2.09	2.64
GCA Days	Days	385	394	314

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

None

Rating History (Upto last three years)

Not Applicable

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan I	Not Applicable	Not Applicable	Not Applicable	0.05	SMERA BB+/stable
Term Loan II	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA BB+/stable
Term Loan III	Not Applicable	Not Applicable	Not Applicable	2.62	SMERA BB+/stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB+/stable
Proposed Loan	Not Applicable	Not Applicable	Not Applicable	2.23	SMERA BB+/stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+

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ABOUT SMERA

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