

Press Release

Virtual Galaxy Infotech Private Limited

July 15, 2020

Rating Withdrawn



Total Bank Facilities Rated*	Rs.17.00 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn its long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.17.00 crore bank facilities of Virtual Galaxy Infotech Private Limited (VGIPL). The rating withdrawal is in accordance with the Acuite's policy on withdrawal of rating and on account of request received from the company and NOC received from the banker.

Virtual Galaxy Infotech Private Limited (VGIPL) is a Nagpur based company having a satellite office in Mumbai was established in 1997 by promoters and directors Mr. Avinash Shende and Mr. Sachin Pande. It is engaged in providing Information Technology services in areas like Application development, IT infrastructure development, Mobile Computing, cloud computing, big data, artificial intelligence, internet of things, data center & data recovery, and digital marketing solutions.

Analytical Approach

Acuite has considered the standalone view of the financial and business risk profiles of Virtual Galaxy Infotech Private Limited (VGIPL) to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

Established in 1997, the company is promoted by Mr. Avinash Shende and Mr. Sachin Pande, who have been associated with the Information Technology industry for more than three decades. Established presence in the industry has helped the company build a healthy portfolio of reputed clientele not only in India but also in the international market by way of export of services.

Weaknesses

- **Average financial risk profile**

VGIPL's financial risk profile is average, marked by modest net worth of Rs.19.71 crore, increasing in gearing of 1.32 times as on March 31, 2020 (Provisional) from 0.98 times as on March 31, 2019 and average debt protection matrices.

The network levels have remained modest due to its modest scale of operations, which has resulted in limited accretion to reserves over the last three years through FY2020 (Provisional). Though the revenues of the company are expected to remain in the range of Rs.30-35 crore over the medium term, the repayments towards its debt obligations are likely to lead to limited accretion to reserves.

The Interest Coverage Ratio (ICR) improved to 3.51 times for FY2020 (Prov.) and for FY2019 from 2.86 times in FY2018. Debt Service Coverage Ratio (DSCR) improved to 3.15 times for FY2020 (Prov.) from 2.09 times in FY2019 and 2.64 times in FY2018.

Its Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.81 times as on March 31, 2020 (Prov.) as against 1.90 times as on March 31, 2019 increasing from 1.35 times as on March 31, 2018.

And the Net Cash Accruals/Total Debt (NCA/TD) reduced to 0.17 times as on 31st March, 2020 (Prov.) from 0.23 times as on 31st March, 2019 from 0.27 times as on 31st March, 2018

Acuite expects the network to remain modest in the range of Rs.20-25 crore over the medium term, in the absence of any equity infusion by the promoters.

• Working capital intensive operations

VGIPL's operations are working capital intensive in nature as reflected by its Gross Current Asset (GCA) days of around 288 days as on March 31, 2020 (Provisional) as against 284 days as on March 31, 2019. The GCA days are stretched on account of Debtor days of 203 days as on March 31, 2020 (Provisional) as against 209 days as on March 31, 2019. Its Creditor days stood at 88 days as on March 31, 2020 (Provisional) as against 99 days as on March 31, 2019. VGIPL's working capital limits over the last twelve month period ended May 2020, was utilized at an average of 99%.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Significant increase in Unsecured Loans

The company has recently started relying in borrowings from unsecured sources due to collateral-free nature of such loans which has increased its cost of borrowing. The borrowings from unsecured sources increased to Rs.16.29 crore as on March 31, 2020 (Provisional) from Rs.9.28 crore as on March 31, 2019 and Rs.3.42 crore as on March 31, 2018.

Liquidity position: Stretched

The company has stretched liquidity position marked by intensive working capital operations and it's near 100 percent utilization of bank facilities. The cash and bank balances stood at Rs.1.07 crores as on March 31, 2020 (Provisional) and the current ratio of the company stood at 1.40 times as on March 31, 2020 (Provisional). Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of comfortable cash accruals against the repayment obligations over the medium term.

Rating Sensitivities

None

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	30.43	28.12
PAT	Rs. Cr.	1.92	1.45
PAT Margin	(%)	6.32	5.15
Total Debt/Tangible Net Worth	Times	1.32	0.98
PBDIT/Interest	Times	3.51	3.51

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector Entities - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
12-Jun-2020	Term Loan	Long term	1.00	ACUITE BB-/ Stable (Downgraded)
	Cash Credit	Long term	7.00	ACUITE BB-/ Stable (Downgraded)
	Proposed Bank Facility	Long term	6.50	ACUITE BB-/ Stable (Downgraded)

	Bank Guarantee	Short term	2.50	ACUITE A4 (Downgraded)
22-Mar-2019	Term Loan I	Long term	0.05	ACUITE BB+ (Withdrawn)
	Term Loan II	Long term	0.10	ACUITE BB+ (Withdrawn)
	Term Loan III	Long term	1.66	ACUITE BB+/ Stable (Reaffirmed)
	Cash Credit	Long term	8.00	ACUITE BB+/ Stable (Reaffirmed)
	Proposed Long Term Loan	Long term	3.34	ACUITE BB+/ Stable (Reaffirmed)
	Bank Guarantee	Short term	4.00	ACUITE A4+ (Reaffirmed)
17-Jan-2018	Term Loan I	Long term	0.05	ACUITE BB+/ Stable (Assigned)
	Term Loan II	Long term	0.10	ACUITE BB+/ Stable (Assigned)
	Term Loan III	Long term	2.62	ACUITE BB+/ Stable (Assigned)
	Cash Credit	Long term	8.00	ACUITE BB+/ Stable (Assigned)
	Proposed Long Term Loan	Long term	2.23	ACUITE BB+/ Stable (Assigned)
	Bank Guarantee	Short term	4.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	November, 2014	14.10%	March, 2022	1.00	ACUITE BB- (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB- (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BB- (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4 (Withdrawn)

Contacts

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About Acuite Ratings & Research:

Acuite Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation

as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,200 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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