

## Press Release

Virtual Galaxy Infotech Private Limited

August 01, 2022

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.53	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	2.47	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	17.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB+**' (read as **ACUITE Double B plus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 17.00 Cr bank facilities of Virtual Galaxy Infotech Private Limited (VGPL). The outlook is '**Stable**'.

## About the Company

Virtual Galaxy Infotech Private Limited (VGPL) is a Nagpur based company having satellite office in Mumbai. The company was established in 1997 by promoters and directors namely Mr. Avinash Shende and Mr. Sachin Pande. VGPL 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. The company is operating in the domain of Banking/BFSI, ERP, E-Governance Biz., APMCs, Data Centre and Disaster Recovery Site, Cloud hosting, Digital Payments, Hardware, Facility Management Networking, Connectivity, and services. The company has recently developed innovative Digital Payment and Cloud Store products for SMEs and SMBs

## Analytical Approach

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

## Key Rating Drivers

### Strengths

#### Experienced management and establish Presence in the market

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 two decades. VGPL has development centre in India with its Sales and Marketing team spread across 12 branch offices within India and 2 overseas offices with an integrated network

connecting global offices and development centre. VGIPL has state of art Data Centre, which provides 24x7 Helpdesk, server colocation, and 4 Lease Lines with a band width of 2-6 MBPS for excellent customer support. It has a pool of Technical and Functional consultants trained in Application Implementation and Optimization to help customers get maximum benefits for the penny start. The company is well supported by second line of management.

### **Improving scale of operations and margins**

The company has recorded the revenue of Rs.42.62 Crores in FY2022(provisional) from Rs.42.06 Crores in FY2021. The EBITDA Margin of the company is increased from 21.45% in FY21 to 23.65 % in FY2022(provisional). The domestic sales contribute 91% and 9% is from export sales. Further, there is a slight improvement in PAT Margin of the company from last year FY2021. The Company has earned Profit after tax Rs.2.20 in FY2021 to Rs.2.31 in FY2022. The order in hand is of amount Rs.110.55 Crores.

### **Moderate Financial Risk Profile**

VGPL's financial risk profile is moderate, marked by a moderate net-worth, low gearing and above average debt protection metrics. The net-worth stood moderate at Rs.24.06 crores as on March 31, 2022 which has seen modest improvement over the last year on back of accretion of reserves. Debt to equity stood at 1.37 times as on March 31, 2022 as compared to 1.43 times as on March 31, 2021. The interest coverage ratio stood at 3.96 times as on March 31, 2022 as against 3.59 times as on March 31, 2019. The DSCR stood comfortable at 3.61 times as on March 31, 2022 and 3.26 times as on March 31, 2021. Acuité believes that going forward the financial risk profile of the company will remain moderate backed by steady accruals and continuous improvements.

### **Weaknesses**

#### **Working Capital Intensive Operations**

VGPL working capital cycle is moderately intensive as is reflected by its gross current asset (GCA) days of around 167 days as on March 31, 2022 as against 168 days as on March 31, 2021. The higher GCA is marked by high receivables, which stood at 115 days as on March 31, 2022 as against 101 days as on March 31, 2021. The receivables stood high due to different payment terms which includes monthly, quarterly, half yearly and annually. On the other hand, the Creditor days are 46 days in FY2022 and 45 days in FY2021. As a result, the reliance on working capital limits which stood highly utilised at 99.43 percent for last one year ending March 2022.

### **Highly fragmented and competitive service industry**

VGPL operates in a highly fragmented service industry with a large number of players in the organised and unorganised segment. The company faces direct competition from many organised and established players in the domestic market. There are various players catering to the same market which leads to limited bargaining power of the company and consequent pressure on its margins. The industry is highly technology oriented which keeps on changing time to time. Thus, the company has to keep upgrading its work procedure according to the needs of the clients.

### **Rating Sensitivities**

- Substantial increase in the operating performance of the company while improving the profitability position
- Improvement in working capital operations of the company positively impacting the liquidity position

### **Material covenants**

None.

### **Liquidity Position**

## Adequate

The Net cash accruals of the VGPL has remained in the range of Rs.6.70 to Rs.5.52 crores in FY2022 and FY2021 respectively. The repayment obligations for the same period stood almost nil. The current ratio stood at 1.49 times in FY2022 as against 1.00 times in FY2021. The company maintained bank deposits and unencumbered cash and bank balances of Rs.0.29 crores as on March 31, 2022. The bank limit utilisation of the company stood high at 99.43% in past twelve months.

## Outlook: Stable

Acuité believes that VGPL will continue to benefit over the medium term due to its "established market position and established relations with its customers, moderate financial risk profile and 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 while maintaining its profitability. 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.

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	42.62	42.06
PAT	Rs. Cr.	2.31	2.20
PAT Margin	(%)	5.42	5.24
Total Debt/Tangible Net Worth	Times	1.37	1.43
PBDIT/Interest	Times	3.96	3.59

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

None.

## Any other information

Not Applicable.

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 May 2021	Term Loan	Long Term	4.68	ACUITE BB+   Stable (Assigned)
	Working Capital Term Loan	Long Term	1.82	ACUITE BB+   Stable (Assigned)
	Working Capital Term Loan	Long Term	0.70	ACUITE BB+   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.33	ACUITE BB+   Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BB+   Stable (Assigned)

	Bank Guarantee	Short Term	2.47	ACUITE A4+ (Assigned)
15 Jul 2020	Cash Credit	Long Term	7.00	ACUITE BB- (Withdrawn)
	Proposed Bank Facility	Long Term	6.50	ACUITE BB- (Withdrawn)
	Term Loan	Long Term	1.00	ACUITE BB- (Withdrawn)
	Bank Guarantee	Short Term	2.50	ACUITE A4 (Withdrawn)
12 Jun 2020	Bank Guarantee	Short Term	2.50	ACUITE A4 (Downgraded from ACUITE A4+)
	Cash Credit	Long Term	7.00	ACUITE BB-   Stable (Downgraded from ACUITE BB+   Stable)
	Proposed Bank Facility	Long Term	6.50	ACUITE BB-   Stable (Downgraded from ACUITE BB+)
	Term Loan	Long Term	1.00	ACUITE BB-   Stable (Downgraded from ACUITE BB+)
22 Mar 2019	Term Loan	Long Term	0.10	ACUITE BB+ (Withdrawn)
	Proposed Long Term Loan	Long Term	3.34	ACUITE BB+   Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	0.05	ACUITE BB+ (Withdrawn)
	Term Loan	Long Term	1.66	ACUITE BB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed)
17 Jan 2018	Term Loan	Long Term	0.05	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	0.10	ACUITE BB+   Stable (Assigned)
	Term Loan	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.47	ACUITE A4+   Reaffirmed
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB+   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.33	ACUITE BB+   Stable   Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	30-03-2020	12.25	26-03-2027	4.68	ACUITE BB+   Stable   Reaffirmed
Bank of Maharashtra	Not Applicable	Working Capital Term Loan	22-06-2020	7.50	21-05-2024	1.82	ACUITE BB+   Stable   Reaffirmed
Bank of Maharashtra	Not Applicable	Working Capital Term Loan	22-06-2020	7.50	21-05-2024	0.70	ACUITE BB+   Stable   Reaffirmed

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### About Acuité Ratings & Research

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