

Press Release

Vijayshree Autocom Limited

D-U-N-S® Number : 85-879-5934

March 19, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 8.00 crore bank facilities of Vijayshree Autocom Limited (VAL). The outlook is '**Stable**'.

Incorporated in 2010, VAL is a Kolkata-based company engaged in manufacturing of automobile parts for commercial vehicles, exclusively, Tata Motors Limited. VAL is promoted by Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri, among others. The automobile parts include fuel tanks, silencers spare, wheel carriers and engine cross members to name a few. The company has two manufacturing units which are located in Jamshedpur (Jharkhand) and Howrah (West Bengal).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The promoters possess industry experience of nearly three decades by virtue of employment in other group companies which are engaged in the same line of business. Acuité believes that the company will benefit from its experienced management which helps the company maintain long standing relations with reputed customers and suppliers such as Tata Steel Processing And Distribution Ltd, Tata Steel Ltd and others.

- **Average financial risk profile**

The financial risk profile of VAL is average marked by tangible net worth of Rs.6.97 crore as on 31 March, 2018 as against Rs.6.44 crore as on 31 March, 2017. Gearing (Debt-equity) stood at 1.73 times as on 31 March, 2018 as against 1.29 times in the previous year. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 4.04 times as on 31 March, 2018 as against 3.36 times as on 31 March, 2017. The total debt of Rs.12.02 crore as on 31 March, 2018 comprises of term loan of Rs.3.73 crore, unsecured loan of Rs.0.59 crore and short term borrowing of Rs.6.59 crore and current portion of long term debt of Rs.1.11 crore. Interest Coverage Ratio (ICR) stood at 2.90 times for FY2018 as against 2.17 times for FY2017. DSCR stood at 1.35 times for FY2018 as against 1.41 times for FY2017. Net Cash Accruals/ Total Debt (NCA/TD) stood at 0.16 times as on 31 March, 2018 as against 0.19 times as on 31 March, 2017.

Weaknesses

- **Moderate scale of operations**

The operations of the company are moderate as the company generates its revenue entirely from the orders by Tata Motors. The revenue stood at Rs.85.38 crore for FY2018 as compared to Rs.70.49 crore for FY2017. Further, the company has generated revenue of Rs.85.00 crore during April 2018 to January 2019 (Provisional). Moreover, the company operates in a highly fragmented and competitive industry, thus limiting its bargaining power. However, the promoters' experience and relation with Tata Motors, partially mitigates this risk. Acuité believes that customer concentration risk will be a key rating sensitivity.

• Working capital intensive operations

VAL has moderate working capital marked by gross current assets (GCA) of 114 days in FY2018. This is on account of inventory holding of 48 days in FY2018 as against 57 days in FY2017 and collection period of 47 days in FY2018 as against 31 days in FY2017. It also consists of other current assets of Rs.3.05 crore which mainly consists of capital advances.

Liquidity Position:

Liquidity of VAL is moderate marked by moderate cash accruals against its repayment obligations. Cash accruals stood at Rs.1.90 crore in FY2018 as compared to repayment obligations of Rs.1.11 crore in FY2018. Its expected cash accruals are in the range of Rs.4-5 crore over medium term. Working capital intensive operations with GCA days of 114 as on March 31, 2018 has led to high utilisation of its bank lines. Acuite believes that with moderate accruals to obligations and incremental working capital requirements the liquidity remains at moderate levels over the medium term.

Outlook: Stable

Acuite believes that VAL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues, profitability while maintaining their financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or higher than envisaged debt funded capex or deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	85.38	70.49	73.85
EBITDA	Rs. Cr.	3.06	2.68	3.20
PAT	Rs. Cr.	0.52	0.06	0.40
EBITDA Margin	(%)	3.59	3.80	4.34
PAT Margin	(%)	0.60	0.09	0.55
ROCE	(%)	11.53	11.32	28.87
Total Debt/Tangible Net Worth	Times	1.73	1.29	1.62
PBDIT/Interest	Times	2.71	2.17	2.05
Total Debt/PBDIT	Times	3.64	2.70	2.58
Gross Current Assets (Days)	Days	114	102	100

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.37	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.77	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.06	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.31	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.13	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.07	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.40	ACUITE BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.89	ACUITE BB- / Stable

Contacts

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About Acuité Ratings & Research:

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