

Press Release

Vijayshree Autocom Limited (VAL)

26 June, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE B+/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B+ (read as ACUITE B plus)**' to the Rs.8.00 crore of bank facilities of Vijayshree Autocom Limited. The outlook is '**Stable**'.

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

Analytical Approach:

Acuité has considered standalone business and financial risk profile of VAL while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management

The directors of the company Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri possess a decade of experience in manufacturing of automobile parts for commercial vehicle. Acuité believes that the company will benefit from its experienced management which helps the company maintain long standing relations with TATA Motors Limited. and suppliers such as Tata Steel Processing and Distribution Ltd, Tata Steel Ltd and others.

Weaknesses

Average financial risk profile

The average financial risk profile of the company is marked by moderate net worth, moderate gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.7.71 crore in FY2020 (Prov.) as compared to Rs.7.70 crore in FY2019. The gearing of the company stood moderate at 1.64 times as on March 31, 2020 (Prov.) when compared to 1.52 times as on March 31, 2019. The total debt of Rs 12.61 crore in FY2019 consists of long term loan of Rs.3.01 crore, short term loan of Rs.9.43 crore, and unsecured loan from promoters of Rs.0.17 crore. Interest coverage ratio (ICR) is comfortable and stood at 2.58 times in FY2020 (Prov.) as against 3.18 times in FY 2019. The debt service coverage ratio also stood comfortable at 1.36 times in FY2020 (Prov.) as against of 1.61 times in FY2019. The net cash accruals to total debt (NCA/TD) stood moderate at 0.15 times in FY2020 (Prov.) as compared to 0.22 times in the previous year. Acuité believes the financial risk profile of the company will be average backed by increasing accruals and no major debt funded capex plan.

Moderate scale of operation and moderate profitability

The revenue of the company has declined and stood moderate at Rs.58.06 crore in FY2020 (Prov.) as compared to Rs.114.76 crore in FY2019. This significant decline in operating revenue is mainly due to change in vehicle emission norms from Bharat Stage IV to Bharat Stage VI, leads leading to lesser order received from TATA Motors Limited. The operating profitability margin of the company has improved

and stood moderate at 5.08 per cent in FY2020 (Prov.) as compared to 3.52 per cent in FY2019, this improvement in operating margin is mainly on account of decrease in raw material price. However, the net profitability margin of the company is negligible during FY 2020 (Prov.)

Rating Sensitivity

- Scaling up of operations while stabilizing their profitability margin.
- Deterioration in the capital structure.

Material Covenant

None

Liquidity Position: Stretched

The company has stretched liquidity marked by moderate net cash accruals of Rs.1.94 crore as against Rs.1.11 crore of yearly debt obligations. The cash accruals of the company are estimated to remain in the range of around Rs. 2.20 crore to Rs. 2.61 crore during 2020-22 against Rs.0.98 crore repayment in FY2021 and Rs. 1.96 crore in FY2022. The working capital intensity of the company is marked by gross current asset (GCA) days of 122 days in FY2020 (Prov.). The bank limit is 80 per cent utilized by the company for the last six months ended 30th May 2020. The company has also applied for Covid19 Emergency Credit Line of Rs.2.54 crore is yet to be sanctioned by the bank. The said loans are to be repaid over a period of 4 years with a 1 year of moratorium. Hence, Acuité believes that this short term funding will ease the liquidity position of the company. Moreover, the company has availed of moratorium on their CC & TL facilities till the end of August 2020. The liquidity position of the firm post the moratorium would be a key credit monitorable.

Outlook: Stable

Acuité 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 improving 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	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	58.06	114.76
PAT	Rs. Cr.	0.00	0.74
PAT Margin	(%)	0.00	0.64
Total Debt/Tangible Net Worth	Times	1.64	1.52
PBDIT/Interest	Times	2.58	3.18

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>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.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
21-May-2020	Term Loan	Long Term	0.37	ACUITE B+ (Indicative)
	Term Loan	Long Term	0.77	ACUITE B+ (Indicative)
	Term Loan	Long Term	0.06	ACUITE B+ (Indicative)
	Term Loan	Long Term	2.31	ACUITE B+ (Indicative)
	Term Loan	Long Term	0.13	ACUITE B+ (Indicative)
	Term Loan	Long Term	0.07	ACUITE B+ (Indicative)
	Term Loan	Long Term	1.40	ACUITE B+ (Indicative)
	Proposed Long Term Facility	Long Term	2.89	ACUITE B+ (Indicative)
19-Nar-2019	Term Loan	Long Term	0.37	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	0.77	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	0.06	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	2.31	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	0.13	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	0.07	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	1.40	ACUITE BB-/Stable (Assigned)
	Proposed Long Term Facility	Long Term	2.89	ACUITE BB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Term Loan	Not Available	Not Applicable	Nov 2020	0.37	ACUITE B+/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Sep 2021	0.77	ACUITE B+/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Feb 2023	2.31	ACUITE B+/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Sep 2024	0.13	ACUITE B+/Stable (Reaffirmed)

Term Loan	Not Available	Not Applicable	Sep 2021	0.07	ACUITE B+/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Jan 2025	1.40	ACUITE B+/Stable (Reaffirmed)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	2.95	ACUITE B+/Stable (Reaffirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité 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 6,000 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.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.