

Press Release

Vijayshree Autocom Limited

May 10, 2023



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.00	ACUITE BB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	8.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.8.00 Cr. bank facilities of Vijayshree Autocom Limited (VAL). The outlook remains '**Stable**'.

Rationale for the rating

The rating upgrade takes into cognizance the improvement in the operating income of the company, and the company's established track record of operations and the experience of the management in the automobile ancillaries' sector.

These strengths are, however, partly offset by the moderate financial risk profile of VAL and the susceptibility of the profitability margins to the volatility of the raw material prices.

About the Company

Incorporated in 2010, VAL is a Kolkata-based company and is promoted by Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri. The company is engaged in manufacturing of automobile parts for commercial vehicles, exclusively, Tata Motors Limited. 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 in Jamshedpur (Jharkhand) and Howrah (West Bengal).

The manufacturing facilities of the two units include mechanical and hydraulic power presses, shearing machines, hydraulic riveting machines, welding shops including Mig, Arc, Seam, and Spot-welding equipment, 8 tank pre-treatment and phosphating facilities, powder coating facilities, conveyORIZED liquid paint shop, baking ovens, CNC pipe bending, CNC lathes, fully equipped tool rooms for manufacture and maintenance of dies and tools as well as adequate captive power capacities.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of VAL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record along with experienced management.

The VAL has an established track record of more than decade in the business of auto components. The directors of the company, Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri possess a decade long experience in the business of manufacturing of automobile parts for commercial vehicles. The extensive expertise of the management has aided the operations of the company in establishing healthy relations with the clients, TATA Motors Limited, Tata Steel Processing and Distribution Ltd, Tata Steel Ltd, among the others.

Further, the revenue of the company has increased to Rs. 121.97 crore in FY 22 from Rs. 51.77 crore in FY21. The increase was primarily on account of high-value orders for BS6 products from Tata Motors and higher demand from other customers. Furthermore, the company already registered revenues of Rs. 105 cr. for the 9MFY23, driven by strong demand.

Acuité believes that the company will continue to benefit from the experienced management and the established clientele relationships.

Moderate Working Capital Operations

The working capital management of the company improved yet remained moderate, marked by gross current assets (GCA) of 119 days as of March 31, 2022, as compared to 210 days as of March 31, 2021. The debtor period stood at 71 days as of March 31, 2022, as compared to 97 days on March 31, 2021. Further, the inventory holding stood at 40 days as of March 31, 2022, as compared to 110 days as of March 31, 2021. The payment cycle varies from 15 to 20 days. In the last six months ended December 2022, the company's average working capital utilisation remained at 92%.

Acuite believes that managing the working capital operations at similar levels is a key rating sensitivity.

Weaknesses

Moderate Financial Risk Profile

The company's moderate financial risk profile marked by modest net worth, moderate gearing, and comfortable debt protection metrics. The tangible net worth of the company increased to Rs. 13.75 Cr in FY2022, as against Rs. 9.85 Cr in FY2021. The company's gearing stood moderate at 1.55 times as of March 31, 2022, as compared to 1.97 times as of FY2021. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 3.24 times as of FY2022, as against 3.84 times as of FY2021. The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio at 2.65 times in FY2022, as against 2.21 times in FY2021, and Debt Service Coverage ratio of 1.24 times as of FY2022, as against 2.18 times as of FY2021. The Net Cash Accruals stood at Rs.2.67 Cr.

Acuité believes the financial risk profile of the company may continue to remain moderate over the medium term in the absence of any major debt-funded capex plan.

Highly competitive and susceptible to volatility in raw material prices.

The auto ancillary industry is a highly competitive with presence of both organized and unorganized players. However, organized segments mostly cater to the OEMs and are generally stable. The profitability in industry is susceptible to increase in raw material prices such as steel and aluminium. The company's operating margin decreased to 3.72 percent as of March 31, 2022, from 7.14 percent as of March 31, 2021, on account of an increase in raw material prices.

Rating Sensitivities

- Sustenance of the profitability margins while scaling up of operations.
- Elongation of working capital cycle.

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by sufficient net cash accruals of Rs.2.67 Cr as on FY2022 against maturing debt repayment obligation of Rs. 1.82 Cr during the same tenure.

Further, the company is expected to generate a sufficient net cash accruals in near to medium term against its maturing debt obligation. However, the fund-based limit remains utilised at 92 percent over six months ended December 2022. The working capital management of the company is moderate in nature marked by Gross Current Assets (GCA) of 119 days as on FY2022 as compared to 210 days as on FY2021. The cash and bank balances of the company stood at Rs. 1.77 crore as on FY2022. The current ratio stood at 1.22 times as on FY22 as compared to 1.12 times as on FY21.

Acuité believes that going forward the liquidity position of the company will improve due to the gradually improving accruals.

Outlook: Stable

Acuité believes that VAL's outlook will remain 'Stable' over the medium term and the company will benefit over the medium term from its experienced management, the long standing operations of the company and moderately rising revenues. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues and profitability margins while improving their financial risk profile and liquidity 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	121.97	51.77
PAT	Rs. Cr.	0.65	0.07
PAT Margin	(%)	0.54	0.14
Total Debt/Tangible Net Worth	Times	1.55	1.97
PBDIT/Interest	Times	2.65	2.21

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

None

Any other information

Acuite is yet to receive the latest No Default Statement from the rated entity despite repeated requests and followups.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Dec 2022	Term Loan	Long Term	0.07	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	0.13	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	1.40	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	2.31	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	0.37	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	0.77	ACUITE B+ (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	2.95	ACUITE B+ (Issuer not co-operating*)
15 Sep 2021	Term Loan	Long Term	2.31	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	0.13	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	0.77	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	0.37	ACUITE B+ (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	2.95	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	1.40	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	0.07	ACUITE B+ (Issuer not co-operating*)
26 Jun 2020	Term Loan	Long Term	0.77	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	1.40	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	0.13	ACUITE B+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.95	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	0.37	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	2.31	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	0.07	ACUITE B+ Stable (Reaffirmed)
21 May 2020	Term Loan	Long Term	0.13	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	2.31	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	0.06	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	0.07	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Proposed Bank Facility	Long Term	2.89	ACUITE B+ (Downgraded & Issuer not co-operating*)
		Long		ACUITE B+ (Downgraded & Issuer not co-operating*)

	Term Loan	Term	0.77	co-operating*)
	Term Loan	Long Term	0.37	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	1.40	ACUITE B+ (Downgraded & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.95	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.31	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.13	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.07	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.40	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.37	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.77	ACUITE BB Stable Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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