

Press Release

VRG Industries Private Limited

December 10, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs. 16.00 crore bank facilities of VRG Industries Private Limited (VIPL). The outlook is '**Stable**'.

VIPL, incorporated in 2011, commenced operations in November 2017 as a Odisha based company engaged in manufacturing of empty domestic cylinders of 14.50 kgs with an annual installed capacity of 12,00,000 lakhs cylinders. The company undertakes tender based orders from Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited and currently, has order books of ~Rs.94.00 crore from these companies. The company is promoted by Mr. Naveen Gupta.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The Directors of the company, Mr. Naveen Gupta and his family members, have more than a decade of experience in the same line of business being part of the Sahuwala Cylinders group which has an established track record in cylinder manufacturing business.

Weaknesses

- **Below average financial risk profile**

The financial risk profile of the company is below average marked by low net worth, high gearing and modest debt protection measures. The net worth stood at Rs.2.22 crore as on 31 March, 2018. The gearing stood at 11.08 times as on 31 March, 2018. The high gearing is on account of unsecured loans received from Sahuwala Cylinders Private Limited of Rs.10.05 crore to support the business. Interest Coverage Ratio (ICR) stood at 1.94 times for FY2018, while DSCR stood at 1.83 times for FY 2018.

- **Working capital intensive nature of operations**

The operations of VIPL are working capital intensive in nature marked by Gross Current Assets (GCA) of 457 days in FY2018. This is on account of high inventory days of 221 days as on 31 March, 2018. Further, the debtors stood at 178 days in FY2018.

Outlook: Stable

Acuité believes that the outlook on VIPL's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience in the industry. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case the company registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)
Operating Income	Rs. Cr.	13.59
EBITDA	Rs. Cr.	0.45
PAT	Rs. Cr.	(0.00)
EBITDA Margin	(%)	3.31
PAT Margin	(%)	(0.01)
ROCE	(%)	1.6
Total Debt/Tangible Net Worth	Times	11.08
PBDIT/Interest	Times	1.94
Total Debt/PBDIT	Times	54.69
Gross Current Assets (Days)	Days	457

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

None

Any other information

Not applicable

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+ / Stable

^Consists of B.G Sublimit of Rs.2.00 crore

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@acuiteratings.in	

About Acuité Ratings & Research:

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