

Press Release

Vittoria Designs Private Limited

January 28, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 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**) on the Rs. 20.00 crore bank facilities of VITTORIA DESIGNS PRIVATE LIMITED (VDPL). The outlook is '**Stable**'.

Rajkot based, Vittoria Designs Private Limited was incorporated in 2014 by Mr. Dhiren Shah, Mr. Bharat Chovatia and Mr. Somesh Malik. The company is engaged in manufacturing of hardware fittings marketed under the brand name of 'Vittoria' and 'Valencia' and 'Agua'. In FY2017, Mrs. Avniben Somesh Malik joined the board and Mr. Dhiren Shah and Somesh Malik resigned as director. The company has an installed capacity of ~100 tons per month.

Analytical Approach

Acuité has considered standalone business and financial risk profile of the company to arrive at the rating.

Key Rating Drivers

Strengths

• Extensive experience of promoters:

The company is promoted by Mr. Dhiren Shah, Mr. Bharat Chovatia and Mr. Somesh Malik. The promoters have extensive experience of more than two decades in hardware industry. The long standing presence of the promoter has resulting in healthy relations with customers and suppliers. The company has signed agreement with a Spanish company, namely, S C Herrajes whereby, VDPL will be using its brand name for two years on royalty payment.

Acuité believes that association with the foreign company will help in growth of VDPL's revenue based on established brand name of S C Herrajes in hardware fittings segment.

• Moderate financial risk profile:

VDPL has moderate financial risk profile marked by modest net worth of Rs. 4.31 crore as on March 31, 2018 as compared to Rs. 4.18 crore as on March 31, 2017. The total net worth of Rs. 4.31 crore includes unsecured loan from promoters of Rs. 0.75 crore, being treated as quasi equity as the same is subordinated to bank facilities. The debt to equity stood high at 3.28 times as on March 31, 2018 as compared to 3.15 times as on March 31, 2017. The total debt of Rs. 14.14 crore as on March 31, 2018 includes Rs. 5.26 crore long term debt, Rs. 4.05 crore working capital loan from bank and Rs. 4.83 crore of unsecured loan from promoters. The Debt service coverage ratio (DSCR) stood moderate at 1.50 times as on March 31, 2018 as compared to 1.93 times as on March 31, 2017. The DSCR has reduced due to ballooning repayment structure of term loan. The interest coverage ratio stood moderate at 2.62 times as on March 31, 2018 improved from 2.47 times as on March 31, 2017.

Acuité believes that VDPL will maintain its financial risk profile backed by moderate net cash accruals and estimated capital expenditure of Rs.5.00 crore over the near term. Any capex beyond the estimation will be key sensitivity rating factor.

Weaknesses

• Initial stage of operations:

VDPL was incorporated in 2014; the operations are on small scale at present with turnover of Rs. 23.51 crore in FY18. The company has an installed capacity of ~100 tons per month which is approximately

70-75 per cent being utilised as on December 2018. The company is planning to expand its capacity in the near term. Timely expansion and efficient utilization level will be crucial for the growth the company.

• **Highly competitive and fragmented industry:**

The company operates in highly competitive and fragmented industry marked by presence of several organised and unorganised players operating with the area leading to stiff competition and pricing pressure.

• **Working capital intensive nature of operations:**

The operations are working capital intensive in nature marked by high gross current asset (GCA) of 189 days for FY2018 as compared to 288 days for FY2017. The high GCA days emanates from high debtor and inventory days. The debtor stood at 112 days for FY 18 as compared to 162 days for FY 17 and inventory stood at 87 days for FY18 as compared to 144 days for FY 17. Further, the unsecured loans from promoters are expected to be withdrawn gradually over the period of twelve months which will further increase pressure on working capital cycle.

Liquidity position

VDPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. VDPL has generated cash accruals of Rs.1.06 crore to Rs. 1.96 crore during the last three years through 2017-18, while its maturing debt obligation were in the range of Rs. 0.33 crore to Rs. 0.94 crore over the same period. VDPL maintained unencumbered cash and bank balances of Rs.0.03 crore as on March 31, 2018. The current ratio of VDPL stood moderate at 1.06 times as on March 31, 2018. Acuite believes that the liquidity of VDPL is likely to remain adequate over the medium term on account of moderate cash accruals to service its maturing debt obligation in the medium term.

Outlook: Stable

Acuite believes that VDPL will maintain a 'Stable' outlook in the medium term on the back of the management's extensive experience in the Hardware industry. The outlook may be revised to 'Positive' if VDPL achieves significant and sustainable growth in revenue and profitability thereby improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue or profitability resulting in deterioration of its financial risk profile or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	23.51	14.22	7.83
EBITDA	Rs. Cr.	3.31	2.95	1.81
PAT	Rs. Cr.	0.16	0.19	0.09
EBITDA Margin	(%)	14.09	20.71	23.14
PAT Margin	(%)	0.67	1.34	1.20
ROCE	(%)	8.49	8.49	10.61
Total Debt/Tangible Net Worth	Times	3.28	3.15	3.02
PBDIT/Interest	Times	2.62	2.47	2.61
Total Debt/PBDIT	Times	4.26	4.45	6.61
Gross Current Assets (Days)	Days	189	288	385

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-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-40.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	4.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.89	ACUITE B+ / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	12.11	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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