Acuite
RATINGS & RESEARCH

Press Release

Vaishnavi Auto Private Limited

January 29, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.15 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' **(read as ACUITE triple B minus)** to the Rs. 10.15 crore bank facilities of Vaishnavi Auto Private Limited (VAPL). The outlook assigned is **'Stable'**.

VAPL, based at Nashik (Maharashtra), was incorporated in 2000 promoted by Mr. Gajendra Wani and Ms. Surekha Wani. The company is engaged in the manufacturing and export of machined Components and auto electric components such as Fuel Injector System, Suspension System and Brake System, among others. The manufacturing unit is located at MIDC in Nashik (Maharashtra). The company caters to the domestic as well as overseas market.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**
  Incorporated in 2000, VAPL has a long operational track record of more than 18 years in the precision components manufacturing business. VAPL is promoted by Mr. Gajendra Wani who also manages the day to day operations of the company. He has an experience of more than two decades in the same line of business. The promoter's extensive experience is also reflected through the healthy revenue growth over the last 3 years through 2017-18. The company's revenue grew at a CAGR of ~17 percent to Rs.37.44 crore over the aforementioned period. Further, the management of the company over the years has built a healthy relationship with major customers such as Robert Bosch GmbH (Bosch, India) and Tata Cummins Private Limited (TCPL) to name a few. Acuité believes that the company will continue to benefit through the promoter's extensive industry experience and established relations with its customers over the medium term.

- **Moderate working capital cycle**
  The working capital management is marked by Gross Current Assets (GCA) of 112 days in FY2018 as against 88 days in FY2017. The company maintains inventory of around 15 days on an average and extends clean credit of around 60 days to its customers, resulting in moderate GCA levels. The inventory and debtor levels stood at 17 days and 84 days in FY2018 as against 17 days and 66 days in FY2017, respectively. Acuité believes that the working capital requirements will continue to remain moderate over the medium term as evident from of its low inventory requirements and moderate collection mechanism.

- **Moderate financial risk profile**
  The financial risk profile is moderate marked by moderate net worth, healthy debt protection measures and low gearing. The net worth of the company is moderate at around Rs.9.52 crore as on 31 March, 2018 as against Rs.6.97 crore as on 31 March, 2017. The improvement in net worth is on account of increasing revenue and improvement in profitability, leading to higher accretion to reserves. The company has followed a moderate financial policy as reflected by peak gearing of 0.46 times over the last three years through 2017-18. The gearing of the company stood at around 0.46 times as on March 31, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.52 times as on 31 March, 2018 as against 1.12 times as on 31 March, 2017. The moderate revenue levels

coupled with average operating margins have resulted in healthy debt protection measures. Interest Coverage Ratio (ICR) remained moderate at 26.37 times in FY2018 and 43.91 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.82 times as on 31 March, 2018 as against 3.70 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 9.27 times for FY2018 as against 3.50 times in FY2017. Acuité believes that the financial risk profile of VAPL will continue to remain moderate over the medium term on account of its improving scale of operations and healthy debt protection measures.

Weaknesses

- **Customer concentration risk**

The company faces high customer concentration. Its major customer, Robert Bosch GmbH (Bosch, India), accounted for more than 90 percent of its sales in the last three year period. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers. The current unexecuted order book position to the tune Rs.57.10 gives moderate revenue visibility over the medium term.

- **Modest scale of operations**

The business risk profile is constrained due to its modest scale of operations. The scale of operations has remained modest with operating income of Rs.37.44 crore in FY2018. Its scale of operations has remained modest as the company is dealing in competitive industry with numerous manufacturers, multinational companies, as well as established domestic brands, leading to high competition that restricts the company's pricing flexibility.

Outlook: Stable

Acuité believes that the outlook on VAPL will remain 'Stable' over the medium term on account of its promoter's extensive experience, moderate financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Liquidity position

VAPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.50 to Rs. 3.60 crore during the last three years through 2017 - 18, while its maturing debt obligations were in the range of Rs.0.50 to Rs. 1.00 crore over the same period. The cash accruals of the company are estimated to remain at around Rs.4.00 - Rs.6.00 crore during 2019-21. The company's operations are moderately working capital intensive as marked by Gross Current Asset (GCA) days of 112 in FY 2018. The company maintains unencumbered cash and bank balances of Rs.1.03 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.17 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual while its maturing debt obligations are estimated to be in the range of Rs.1.00 to Rs. 2.00 crore.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	37.44	28.15	23.43
EBITDA	Rs. Cr.	4.42	3.63	3.18
PAT	Rs. Cr.	2.55	1.62	1.22
EBITDA Margin	(%)	11.81	12.91	13.57
PAT Margin	(%)	6.82	5.74	5.19
ROCE	(%)	30.89	32.90	54.94
Total Debt/Tangible Net Worth	Times	0.46	0.11	0.31
PBDIT/Interest	Times	26.37	43.91	19.91
Total Debt/PBDIT	Times	0.97	0.20	0.52
Gross Current Assets (Days)	Days	112	88	104

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

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	6.95	ACUITE BBB- / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.20	ACUITE BBB- / Stable

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About Acuité Ratings & Research:
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