

Press Release

Vaan Infra Private Limited

October 06, 2020



Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs. 125.00 crores (Enhanced from Rs. 100.00 Cr.)
Long Term Rating	ACUITE BBB/ Outlook: Stable (Reaffirmed & Assigned)
Short Term Rating	ACUITE A3+ (Reaffirmed & Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs. 99.50 crores bank facilities of Vaaan Infra Private Limited (VIPL). The outlook is '**Stable**'.

Further, Acuité has assigned the long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs. 25.50 crores bank facilities of VIPL. The outlook is '**Stable**'.

Haryana based VIPL was incorporated in 2011 and the company is engaged in the development of toll management infrastructure, highway traffic management solutions and security systems. Further, VIPL provides services such as highway information technology-enabled services, smart city solutions, integrated transit systems etc. The company is promoted by Mr. Aman Kishore and Mrs. Neetu Kishore. Further, the company caters to reputed customers like Larsen and Turbo Limited, National Highway Authority of India and Indian Highways Management Company Limited.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

VIPL is promoted by Mr. Aman Kishore, Ms. Neetu Kishore. The promoters have over two decades of experience in the toll management industry and have been associated with the company since its inception in 2011. The experience of the promoters has enabled the company to maintain long and healthy relationships with its customers and suppliers for nearly a decade. Further backed by repeated orders from their customers, the company has been able to achieve a healthy scale of operations with only a decade of vintage, which is reflected by the annual turnover of Rs. 100.84 crores in FY2020 (Provisional) as against Rs. 82.63 crores in FY2019 and Rs. 75.76 crores in FY2017. Further VIPL caters to reputed clients such as Indian Highway Management Corporation limited promoted by NHAI, Uttar Pradesh Expressways Industrial Development Authority, Larsen & Turbo Limited, Lanco Infratech Limited and Reliance Infrastructure Limited to name a few.

Acuité believes that VIPL will continue to leverage the promoter's longstanding relationship with customers to achieve sustainable growth in its operating income.

- **Healthy financial risk profile**

VIPL has healthy financial risk profile marked by moderate net worth, healthy debt to equity ratio and debt-protection metrics. VIPL's net worth stood at Rs. 33.22 crore as on 31 March, 2020 (Provisional) as against Rs.24.51 crore as on 31 March, 2019. The gearing stood low at 0.52 times as on 31 March, 2020 (Provisional) as against 0.39 times in the previous year. The total debt of Rs.17.36 crore majorly includes working capital borrowings of Rs. 12.46 crore, unsecured loans of Rs. 0.42 crores and long term borrowings of Rs. 4.47 crore. Interest Coverage Ratio (ICR) stood at 6.38 times for FY2020 (Provisional) as against 5.54 times in the previous year. TOL/TNW stood at 1.65 times as on 31 March, 2020

(Provisional) as against 2.11 times as on 31 March, 2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.54 times in FY2020 (Provisional) and 0.73 times in FY2018.

Acuité believes that the financial risk profile of the company is likely to remain moderate over the medium term on account of moderate net worth and debt protection metrics and that the company's ability to maintain healthy revenue growth in the medium term.

Weaknesses

- **Working Capital Intensive Operations**

VIPL's working capital operations are intensive in nature which is evident by the Gross current asset of 195 days in FY2020 (Provisional) as against 160 days in the previous year.

The company reported a slight increase in the inventory holding period at 22 days in FY2020 (Provisional) as compared to 13 days in FY2019 (Provisional). However, the major factor attributing to the stretch in working capital operations is the high debtor collection period of 168 days in FY2020 (Provisional) as against 160 days in FY2019. Further, the creditor collection period also stood high at 176 days as on March 2020 (Provisional). The average bank limit utilization of the company for the last 6 month period ending on 30th July 2020 stood at around 62%. Acuité believes that VIPL's credit risk profile will remain dependent on its ability to manage its working capital requirements over the near to medium term and any further elongation in working capital operations may lead to stretch in the liquidity position of the company.

- **Customer concentration risk coupled with a decline in the service revenues**

The company has witnessed revenue growth in year-on-year over the last three years ending FY2020. However, the company faces customer concentration risk with around 54% of the total revenues being generated via two clients namely, Indian Highways Management Company Limited and PNC Infratech Limited. In addition to that, the company revenues are also geographically centered on the state of Haryana with over 90.00% of the total sales in FY2020 (Provisional) emanating from the same. Further, there is a steep decline in the service components of the revenues in FY2020 (Provisional) as compared to the previous year. The service component in the revenue streams of the company contributed to nearly 33% (i.e. Rs. 33.27 crores) in FY2020 (Provisional) as against 63.86% (i.e. Rs. 52.77 crores) in FY2019.

Rating Sensitivity

- Significant improvement in the scale of operation with improvement in profitability, sustenance of the comfortable financial risk profile and improvement in working capital intensity.
- Deterioration in working capital.

Material Covenants

None

Liquidity position: Adequate

VIPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 9.37 crore for FY2020 (Provisional) against debt obligations of Rs. 0.27 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 10.93 crore to Rs. 13.46 crore during 2021-23 against repayment obligations ranging from Rs. 0.72 crore to Rs. 0.30 crore. The VIPL's working capital operations are intensive marked by gross current asset (GCA) days of 195 days for FY2020 (Provisional). The company maintains cash and bank balances of Rs. 0.67 crore as on 31 March, 2020 (Provisional). The current ratio stands at 1.55 times as on 31 March, 2020 (Provisional). Acuité believes that the liquidity of VIPL is likely to remain adequate over the medium term on account of healthy cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuité believes that VIPL will maintain a 'Stable' outlook over the medium term on the back of its experienced track record of operations. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability, while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	100.84	82.63
PAT	Rs. Cr.	8.89	6.52
PAT Margin	(%)	8.81	7.89
Total Debt/Tangible Net Worth	Times	0.52	0.39
PBDIT/Interest	Times	6.38	5.54

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Sep-2019	Cash Credit	Long Term	6.00	ACUITE BBB / Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	16.50	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	12.00 (Enhanced from Rs. 2.50 Cr.)	ACUITE A3+ (Reaffirmed)
	Bank guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB/Stable (Assigned)
	Proposed long term facilities	Long Term	4.50	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short Term	19.00	ACUITE A3+ (Assigned)
	Proposed bank facilities	Short Term	22.00	ACUITE A3+ (Assigned)
31-July-2019	Cash Credit	Long Term	6.00	ACUITE BBB/ Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	16.50	ACUITE A3+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	2.50	ACUITE A3+ (Assigned)
	Bank guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A3+ (Assigned)

***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	6.00	ACUITE BBB/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00 (Revised from Rs. 5.00 crores)	ACUITE BBB/ Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB/ Stable (Assigned)
Proposed long term	Not Applicable	Not Applicable	Not Applicable	2.00 (Revised from Rs. 4.50 crores)	ACUITE BBB/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A3+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A3+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A3+ (Assigned)
Proposed short term facilities	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A3+ (Reaffirmed)

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About Acuité Ratings & Research:

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