

## Press Release

### VTC Transport Private Limited

July 03, 2020

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 5.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- /Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A4+ (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 5.00 Crore bank facilities of VTC Transport Private Limited (VTCTPL). The outlook is '**Stable**'.

VTC transport private limited was established in 1997. The company is engaged in handling and transportation of heavy machinery and valuable consignments like iron and steel coils, channels, cement, coal, etc. the branch offices of the company are located at New Delhi, Chandigarh, Ludhiana and Jalandhar, Unchahar, Panipat, Kullu, Aligarh(U.P). Recently, the Company have also started trading and distribution business for "Cello".

#### Analytical Approach

Acuite has considered the standalone financial and business risk profile of VTCTPL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- **Established track record of operations and experienced management**

VTCTPL a private limited company incorporated in 1997 by the directors have an industry experience of over two decades in this industry. This has enabled the company establish a healthy relationship with clients resulting in reputed clientele base such as SAIL (Steel Authority Of India Ltd.), RINL (Rashtriya Ispat Nigam Ltd.), IOCL (Indian oil Corporation Ltd.), Punjab State Power Corporation Limited (SARNA, Mohali), BHEL (Bharat Heavy Electrical Limited) to name a few.

- **Average Financial Risk profile**

The financial risk profile of the company is above average marked by tangible net worth of Rs.14.00 crore as on 31 March 2020 (Provisional) as against Rs.13.10 crore in the previous year. Gearing (debt-equity) stood comfortable at 0.96 times as on 31 March 2020 (provisional) as against 0.64 times as on 31 March 2019. This is mainly due to healthy accreditation to reserve during the year. The coverage indicators are healthy marked by interest coverage ratio (ICR) which stood at 2.70 times for FY2020 (Provisional) as against 2.18 times for FY2019. DSCR stood at 1.30 times for FY2020 (Provisional) as against 1.15 times in the previous year. This is mainly due to high EBITDA during the year. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.16 times as on 31 March 2020 (Provisional) as against 0.84 times as on 31 March 2019.

Acuite believes the financial risk profile of the company will remain average backed by moderate net cash accruals and no major debt funded capex in near to medium term.

## Weaknesses

### • Working capital intensive nature of operations

VTCTPL operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 441 days as on March 31, 2020 (provisional). The company have a high level of debtors as majority of the client of the company are public sector unit whose payment processing time is long as compare to other clients. Due to that the cash credit limit is 83% utilized for the past 6 months ending 31st May, 2020. Acuite expects the operations of the company to remain working capital intensive on account of the high debtor's levels maintained by the company to extended credit period offered to expand its sales to new geography.

### Rating sensitivity

- Significant improvement is revenue in last year due to introduction of new business.
- Any deterioration in working capital leading to higher reliance on external borrowings

### Material Covenant

None

### Liquidity position: Adequate

The company has adequate liquidity marked by high net cash accruals to negligible maturing debt obligations. The company generated cash accruals of Rs.1.26 Crore for FY2020 (Provisional) against no significant debt maturity obligation for the year. The cash accruals of the company are estimated to remain in the range of around Rs.1.50 Crore to Rs.2.60 Crore during FY2021-23 against repayment obligations of Rs.0.60 Crore each year for the same period. The company's working capital operations are highly intensive marked by gross current asset (GCA) days of 327 days in FY2020 (Provisional). This has led to higher reliance on external borrowings, marked by slightly higher bank limit utilization which stood at ~83 percent for six months ending on May, 2020. The company maintained cash and bank balances of Rs.0.43 Crore as on 31 March, 2020 (Provisional). The current ratio stood healthy at 2.65 times as on 31 March 2020 (Provisional). Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of high cash accruals against low maturity debt repayments over the medium term.

### Outlook: Stable

Acuite believes that VTC Transport Private Limited will continue to benefit over the medium term from the promoters experience and reputed clientele. The outlook may be revised to 'Positive' if the firm achieves more than envisaged sales while improving its liquidity. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability and the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

### About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	22.01	12.46
PAT	Rs. Cr.	0.91	0.42
PAT Margin	(%)	4.13	3.35
Total Debt/Tangible Net Worth	Times	0.96	0.61
PBDIT/Interest	Times	2.70	2.18

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

#### Rating History (Up to 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 BB-/Stable (Assigned)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.95	ACUITE A4+ (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE BB-/Stable (Assigned)

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#### About Acuité Ratings & Research:

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