

Press Release

Vaaan Infra Private Limited

March 08, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.50	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	107.50	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	125.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating at '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating at '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.125.00 crore bank facilities of 'Vaaan Infra Private Limited (VIPL)'. The outlook is '**Stable**'.

Rationale for reaffirmation

Rating has been reaffirmed on account of stable operating metrics in terms of operating income of Rs. 156.49 Cr in FY 2022 marking moderate growth of 3% over FY 2021 along with healthy net profit margins, healthy financial risk profile with moderate net worth base, low gearing and strong debt protection metrics along with strong liquidity position. However, rating is constrained by working capital intensive nature of operations marked by GCA days of 273 in FY 2022 as a result of elongated debtor realization period.

About the Company

Vaaan Infra Private Limited (VIPL) was incorporated in 2011 being promoted by Mr Arnav Kishore and Mrs Neetu Kishore. VIPL is a Faridabad based company, which is engaged in the development of infrastructure and highway traffic management solution. The company's operational segment involves Toll Management system (TMS), Advance Traffic Management System (ATMS) and Smart city solution. Under TMS & ATMS, it provides equipment for toll maintenance such as IT systems to collect tolls, servers, sensors, security cameras, ticket dispenser, weather monitoring etc. Under smart city solutions, the company provides smart parking solutions, city security and surveillance system, system integration and client support centre.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

VIPL has been promoted by Mr. Arnav Kishore and Mrs. Neetu Kishore. The promoters have over two decades of experience among themselves in the toll management industry and thus, such experience had enabled the company to maintain long standing relationship with customer and supplier for more than a decade. The company has been able to achieve healthy scale of operations, on account of back to back execution of orders. The company is currently being managed by Mrs. Neetu Kishore and qualified management team down the line. The company has outstanding order book of Rs.176.89 crore as on November 30, 2022 from reputed client such as PNC Infratech Limited, Larsen & Turbo Ltd, Gawar Construction Limited etc. Acuite believes that the company would continue to benefit from experience of the Directors and long track record of the company.

Financial risk profile

Company's financial risk profile is healthy marked by moderate net worth base, low gearing and strong debt protection metrics. Company's tangible net worth stood at Rs. 57.79 Cr in FY 2022 as against Rs. 43.39 Cr in FY 2021. Total debt of Rs. 17.82 Cr in FY 2022 consists of Rs. 0.28 Cr of long term debt, Rs. 1.96 Cr of unsecured loans, Rs. 15.26 Cr of working capital borrowings and Rs. 0.32 Cr of CPLTD. Gearing (Debt to Equity) moderated to 0.31 times in FY 2022 as against 0.28 times in FY 2021. Interest coverage ratio improved and stood strong at 12.49 times in FY 2022 as against 7.08 times in FY 2021. DSCR improved to 7.78 times in FY 2022 as against 4.99 times in FY 2021. NCA/TD moderated to 0.86 times in FY 2022 from 1.04 times in FY 2021. TOL/TNW improved to 1.68 times in FY 2022 as against 2.42 times in FY 2021. Debt-EBITDA (excluding other income) moderated to 4.6 times in FY 2022 from 0.75 times in FY 2021. Going forward financial risk profile is expected to remain healthy in the absence of any debt funded capex plan.

Weaknesses

Elongated working capital days

Company's operations are working capital intensive marked by GCA days of 273 in FY 2022 as against 271 days in FY 2021. Elongated GCA days is a result of increased debtors. Debtors have increased year on year from Rs. 48.63 Cr in FY 2020 to Rs. 83.52 Cr in FY 2021 and further increased to Rs. 92.79 Cr in FY 2022. Debtor realization period has increased from 202 days in FY 2021 to 216 days in FY 2022. One reason behind increased debtors is the higher work orders executed in last quarter of the fiscals. Looking at monthly sales trend, company did revenue of Rs. 77.17 Cr in last quarter of FY 2021 and Rs. 53.73 Cr in FY 2022 which leads to build up of debtors. March 2022 debtors were subsequently realized in April and May 2022 wherein outstanding debtors declined to Rs. 66.82 Cr in May 2022. Also, the company realizes receivables with the mile stones of completion of work (for example:10%-Advance, supply of equipment-~30%, Installation-40% and remaining on installation and handover). The percentage of realization of receivables as per milestone varies as per contract. The entire process of supply to handover is usually takes 6-8 months, depending on the work order size. Company does 100% billing at the time of supply of equipment's. Inventory holding period has declined to 20 days in FY 2022 as against 27 days in FY 2021. Creditor days have declined to 189 days in FY 2022 to 203 days in FY 2021. However, average bank limit utilization remained moderate at 48.88% on a consolidated level for the 6 months' period between July 2022 to December 2022.

Rating Sensitivities

- Further increase in operating income.
- Deterioration in financial risk profile of the company.

Material covenants

None.

Liquidity Position Strong

Company has strong liquidity position. Company generated net cash accruals of Rs. 15.40 Cr in FY 2022 against maturing debt obligation of Rs. 0.41 Cr. Going forward company is expected to generate net cash accrual of Rs. 15.87 Cr and Rs. 16.54 Cr in FY 2023 and 2024 respectively against maturing debt obligation of Rs. 0.32 Cr and Rs. 0.76 Cr in each respective

year. Company's unencumbered cash and bank position stood at Rs. 1.63 Cr in FY 2022 while current ratio stood at 1.50 times.

Outlook: Stable

The outlook of the company continues to remain stable. The outlook may be revised to positive, if the company achieves more than expected growth in revenue and profitability, commensurating with increase in order book size. The outlook would be revised to negative, if there is decline in financial performance of the company led by reduced order book execution.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	156.49	151.21
PAT	Rs. Cr.	14.38	11.72
PAT Margin	(%)	9.19	7.75
Total Debt/Tangible Net Worth	Times	0.31	0.28
PBDIT/Interest	Times	12.49	7.08

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

Not Applicable.

Any other information

None.

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Cash Credit	Long Term	1.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Proposed Bank Facility	Short Term	17.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bills Discounting	Short Term	9.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Bank Guarantee	Short Term	12.00	ACUITE A2 (Upgraded from ACUITE A3+)

14 Dec 2021	Secured Overdraft	Long Term	1.50	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	20.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Bank Guarantee	Short Term	14.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Bank Facility	Long Term	4.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	16.50	ACUITE A2 (Upgraded from ACUITE A3+)
	Bank Guarantee	Short Term	19.00	ACUITE A2 (Upgraded from ACUITE A3+)
06 Oct 2020	Cash Credit	Long Term	7.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A3+ (Reaffirmed)
	Bills Discounting	Short Term	9.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	16.50	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	19.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Short Term	22.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	14.00	ACUITE A3+ (Assigned)
	Secured Overdraft	Long Term	1.50	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	16.50	ACUITE A2 Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2 Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE A2 Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB+ Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB+ Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE A2 Reaffirmed
Kotak Mahindra Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BBB+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Shreyansh Singh Analyst-Rating Operations Tel: 022-49294065 shreyansh.singh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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