Press Release

Victora Auto Private Limited

January 08, 2020

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Term Loan	10.00	IVR A-/Stable Outlook (IVR Single A Minus with Stable Outlook)	Rating upgraded from IVR BBB+/ Stable Outlook (IVR Triple B Plus with Stable Outlook)
Fund Based Facilities (CC)	20.00*	IVR A-/Stable Outlook (IVR Single A Minus with Stable Outlook)	Rating upgraded from IVR BBB+/ Stable Outlook (IVR Triple B Plus with Stable Outlook)
Fund Based Facilities (Bill Discounting)	135.00	IVR A2+ (IVR A Two Plus)	Rating upgraded from IVR A2 (IVR A Two)
Non-Fund Based Facilities (LC/BG)	25.00	IVR A2+ (IVR A Two Plus)	Rating upgraded from IVR A2 (IVR A Two)
Total	**190.00**		

*Packing credit facility of Rs. 15.00 Crore is sublimit of Cash credit facility

Details of Facilities are in Annexure I

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Victora Auto Private Limited (VAPL) positively factors in substantial growth in its operating income in FY19 with improvement in cash accruals coupled with improvement in debt protection metrics. Moreover, the ratings continues to factor in its experienced promoters and management, established clientele and diversified product portfolio with wide market presence. The rating strengths are however tempered by its exposure to volatility in raw material prices and exchange rate fluctuations, intense competition in the operating spectrum and working capital intensive nature of its operations leading to moderate capital structure.

Key Rating Sensitivities

Upward Rating Factors

- Growth in scale of operations on a sustained basis
- Further improvement in profit margin leading to improvement in liquidity

Downward Rating Factors

- Elongation in working capital cycle affecting the liquidity profile
- Weakening in the capital structure

Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoter and management**

The group is promoted by one Mr. G.S. Banga, belonging to the Banga family of Faridabad. He is an engineer by qualification and he started his venture in 1972 by setting up Banga Tools, a sole proprietorship concern. VAPL (under a different name) essentially commenced operations in 1991 and is currently being managed by his son Mr. Hardeep Singh Banga, MD and his grandson. The promoters are supported by a team of experienced professionals who help in day to day management.

- **Established clientele and relationship**

The company over the years, has developed long lasting relationships with large OEM's and Tier I players (across India and abroad).

- **Diversified product portfolio**

The company is engaged in manufacturing of various products catering to clientele across the auto and auto component sectors. Its products comprise sheet metal components, seat frames, exhaust hangers and hot & cold forged automotive components. A diversified product portfolio enables the company to spread its risk and reduces dependency on a single/ few products.

- **Wide market presence**

The company has a market presence in multiple countries. It has been able to derive a significant portion of its revenues from different countries, thereby being able to reduce its presence on a single market. It exports to countries like USA, France, Czech Republic, Netherlands, Germany and South Africa.

- **Growth in revenue and improvement in profitability & cash accruals**

The company achieved substantial growth in operating income of ~37% in FY19 and stood at Rs.737.27 crore from Rs.537.21 crore in FY18. The growth was driven by improvement in export sales which stood at Rs.496 crore in FY19 from Rs.328 crore in FY18.

The EBITDA and PAT margin for the company also increased from 10.48% and 4.35% respectively in FY18 to 12.45% and 5.15% respectively in FY19. Improvement in profit margins was driven by higher absorption of overheads along with increase in scale. With improvement in profit margin the company has also witnessed a steady growth in its cash accruals from ~Rs.41 crore in FY18 to ~Rs.62 crore in FY19. Further, during H1FY20, the company has achieved a PBT of Rs.35.40 crore on total operating income of Rs.466.45 crore.

Key Weaknesses

- **Exposure to volatility in raw material prices and exchange rate fluctuations**

The key raw material used by the company – steel is an internationally traded commodity. Its prices are driven by demand supply situation in international markets and are susceptible to volatility. Procurement contracts in the automobile industry are executed for the long term and are revised for any price revisions in raw material prices. Though, the company can pass on the impact of raw material price changes to its clientele, its margins still continue to be susceptible to volatility. The company earns a substantial portion of its revenue by way of exports (~73 per cent of total sales), exposing it to forex fluctuation risk.

- **Intense competition**

The company is primarily a machining, forging and stamping player manufacturing and supplying components to Indian and Global auto OEM's and Tier 1 players. With the growing number of players in India and abroad, this creates a pressure on market participants to supply quality goods at competitive prices. Additionally other South East Asian countries are rapidly coming up in terms of technology, value engineering and price competitiveness – further increasing competition for the firm and the industry at large.

- **Working capital intensive operations**

In order to remain competitive with other players in both the global and domestic market, the company needs to extend longer credit to its clients. However, the same is mitigated significantly by availing long credit from its suppliers. The average collection and payment days has although improved in FY19 but stood high at 94 days and 92 days respectively. The average fund based working capital limit utilisation during the last 12 months ending October 2019 was high at ~95%.

- **Moderate capital structure**

The capital structure of the company continued to remain moderate with its moderate overall gearing and satisfactory TOL/TNW at 1.36x and 2.29x respectively as on March 31, 2019 (1.68x & 2.87x respectively as on March 31, 2018). During FY19, the company has availed long term debts to fund its capex implementation. Infomerics expects that the capital structure will continue to remain moderate in the near term.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity profile of VAPL is expected to remain adequate marked by its expected satisfactory cash accruals of ~ Rs.82 crore vis a- vis its debt repayment obligations aggregating to ~30 crore in FY20. The company has sufficient gearing headroom to raise additional debt for its capex. However, the average utilization of its fund based limits of the company during the past twelve months ended October 2019 remained high at ~95% indicating a limited buffer.

About the Company

Victora Auto Private Limited (VAPL) was originally incorporated under the name SDL Private Limited in NCR in 1991. Its name was changed from SDL Private Limited to Victora SDL Private Limited in May 2011 and then to the current name in July 2011.The Company is engaged in the business of manufacturing of stamping and machining components for automobile and engineering sector. The product range of the company includes sheet metal components, seat frames, exhaust hangers and hot and cold forged automotive components. The company is a part of the Victora group having interests in the auto component and hospitality business. The company has total of six manufacturing facilities, of these, two facilities are based out of Faridabad, one in Manesar, one in Greater Noida and two in Haridwar.

Financials (Standalone)

(Rs. crore)

For the year ended / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	537.21	737.27
EBITDA	56.32	91.82
PAT	24.06	38.90
Total Debt	241.83*	275.09*
Tangible Net worth	117.67	156.13
Adjusted Tangible Net worth (including subordinate debt)	144.36	202.39
EBITDA Margin (%)	10.48	12.45
PAT Margin (%)	4.35	5.15
Overall Gearing Ratio (x)	1.68	1.36

* Excluding subordinate debt

Status of non-cooperation with previous CRA: Not Applicable

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Term Loan	Long term	10.0	IVR A-/Stable Outlook	IVR BBB+/Stable Outlook (Dec 20, 2018)	--	--
2.	Cash credit*	Long term	20.0*	IVR A-/Stable Outlook	IVR BBB+/Stable Outlook (Dec 20, 2018)	--	--
3.	Bill discounting	Short term	135.0	IVR A2+	IVR A2 (Dec 20, 2018)	--	--
4.	Packing credit*	Short term	15.0*	-	IVR A2 (Dec 20, 2018)	--	--
5.	Non fund based facilities	Short term	25.0	IVR A2+	IVR A2 (Dec 20, 2018)	--	--

*Packing credit facility of Rs. 15.00 Crore is sublimit of Cash credit facility and it is reclassified under cash credit

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Debt- Term Loan	-	-	March 2025	10.0	IVR A-/Stable Outlook
Long Term Fund Based Facilities- Cash Credit	-	-	-	20.0*	IVR A-/Stable Outlook
Short Term Fund Based Facilities- Bill Discounting	-	-	-	135.0	IVR A2+
Non-Fund Based Facilities (LC/BG)	-	-	-	25.0#	IVR A2+

*Packing credit facility of Rs. 15.00 Crore is sublimit of Cash credit facility