Press Release

Vijay Transmission Private Limited
March 15, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	49.22	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities	10.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	**59.22 INR Fifty-Nine Crore and Twenty-Two Lakhs Only**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation (assigned for the enhanced limit) of ratings assigned to the bank facilities of Vijay Transmission Pvt Ltd (VTPL) continues to derive strength from its experienced promoter and management team, diversified product profile coupled with moderate order book position indicating near to medium term revenue visibility. The ratings also notes the improvement in scale of operation of the company coupled with improvement in capital structure and debt coverage indicators in FY2023. However, these rating strengths remain constrained due to VTPL's moderate profitability, working capital intensive nature of operations and presence in highly competitive industry.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in scale of operations leading to improvement in profitability and debt protection metrics on a sustained basis
- Improvement in the capital structure marked by improvement in overall gearing ratio
- Effective management of its working capital requirement leading to improvement in its operating cycle through improvement in its average receivables and inventory cycle

Downward Factors

- Any decline in scale of operation and/or profitability leading to moderation in cash accruals
- Moderation in its capital structure marked by moderation in overall gearing to over 1.80 times and/or moderation in debt protection metrics
- Elongation in operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and management team**

  VTPL is promoted by Raipur, Chhattisgah based Mr. Sanjay Paliwal who is also the Managing Director of the company. Mr. Paliwal is at the helm of affairs of the company and has experience of around three decades in the industry. He looks after the overall operations of the company along with the support of other Directors and a team of experienced and qualified personnel. Also, the company is ISO 9001:2015 certified and is an approved vendor for various state electricity boards. The vast experience of the promoter in this line of activity has helped the company to gain and maintain long-standing relations with its customers and suppliers.
- **Diversified product profile coupled with moderate orderbook position indicating near to medium term revenue visibility**

  VTPL manufactures a range of fabricated and galvanised products like power transmission towers, substation structures, telecom towers, RSJ Poles, earthing strips, etc. thereby depicting a diversified product profile. Further, the company has an outstanding order book position of Rs.156.59 crore as on January 31, 2024, which are to be executed within the next four to five months which indicates a moderate near-term revenue visibility. Also, the order book comprises of orders from reputed clientele including various State/Central Public sector undertakings and electricity board leading to lower-credit risk.
- **Improvement in scale of operation in FY2023, expected to improve further in the near-term**

  Total operating income (TOI) registered a y-o-y growth of 20.46% from Rs.196.95 crore in FY2022 to Rs.237.28 crore in FY2023 backed by healthy flow of orders from its major customers like L&T, General Electric, Siemens India Ltd., Kalpataru Power Transmission

Limited etc and satisfactory execution of the same. Though the absolute EBITDA increased from Rs.9.62 crore in FY2022 to Rs.10.98 crore in FY2023, yet EBITDA margin moderated from 4.89% in FY2022 to 4.63% in FY2023 due to increase in raw material cost (primarily steel) which could not be entirely passed on to the customers owing to the competitive nature of the industry the company operates in. Also increase in operational and administrative overheads in FY2023 added to the moderation in operating margin in FY2023. However, due to no significant change in interest cost and depreciation provision, PAT margin increased from 1.28% in FY2022 to 1.43% in FY2023. During 9MFY24, the company has achieved a revenue of ~Rs.233 crore (Rs.168.67 crore during 9MFY23).

- **Improvement in capital structure and satisfactory debt coverage indicators**
  The capital structure of the company has improved on the back of accretion of profit to net worth and scheduled repayment of term loans. The overall gearing improved marginally from 1.44x as on March 31, 2022, to 1.07x as on March 31, 2023. Further, total indebtedness marked by TOL/TNW remained moderate at 2.83x as on March 31, 2023 (2.91x as on March 31, 2022).Consequent to increase in profitability and gross cash accruals, the debt coverage indicators improved with ICR of 2.20x (2.04x in FY2022) in FY23 and total debt to GCA of 8.82x (11.64x as on March 31,2022) as on March 31,2023.

Key Rating Weaknesses

- **Moderate profitability**
  The EBITDA margin and the PAT margin continued to remain moderate at 4.63% and 1.43% respectively (4.89% and 1.28% respectively in FY2022) in FY23.
- **Working capital intensive nature of operations**
  The working capital cycle though improved in FY2023 yet continues to remain high at 99 days (170 days in FY2021 and 111 days in FY2022) due to elongated receivables position and high inventory holding period owing to the nature of the industry the company operates in. VTPL has to extend credit period of 40-60 days to its customers due to intense competition and maintain 4-5 months of inventory in hand to cater to the customised needs of its customers. Also, the average utilisation of fund-based limits remained high at ~90% during the last twelve months ended January 2024 which indicates limited liquidity cushion.
- **Presence in highly competitive industry**

Given marginal capital investment requirements and low technical complexity, the steel fabrication industry is highly fragmented with numerous unorganised players. Further, there are organised domestic players as well as international suppliers, who work in joint-venture with domestic companies or as subcontractors for large companies, causing intense competition.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non- Financial Sector)

Criteria of assigning rating outlook

Policy on default recognition

Criteria on complexity.

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate marked by sufficient cash accruals vis-à-vis its debt repayment obligation of Rs.4.79 crore in FY2024, Rs.4.64 crore in FY2025 and Rs.0.94 crore in FY2026. Also, the company has moderate order book position of Rs.156.59 crore as on January 31, 2024, which indicates revenue visibility in the near to medium term. Further, the company has an adequate gearing headroom marked by its overall gearing ratio at 1.07x as on March 31,2023. However, the average working capital utilisation remained high at ~90% for the last twelve months ended January 2024 indicating limited cushion.

About the Company

Incorporated in December 2006, Vijay Transmission Private Limited (VTPL) is engaged in fabrication and/or galvanising of substation structures, transmission towers and other structural items and allied activities. The manufacturing facility of the company is located in Raipur, Chhattisgarh with an installed capacity of 30,000 MTPA and 36,000 MTPA for fabrication unit and galvanisation unit respectively.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	196.95	237.28

For the year ended* / As On	31-03-2022	31-03-2023
EBITDA	9.62	10.98
PAT	2.53	3.39
Total Debt	50.67	43.92
Tangible Net worth	35.22	41.20
EBITDA Margin (%)	4.89	4.63
PAT Margin (%)	1.28	1.43
Overall Gearing Ratio (x)	1.44	1.07
Interest coverage Ratio	2.04	2.20

**Classification as per Infomerics' standards. # Year of incorporation – February 08,2021.*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding. (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Feb 03, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	LT	0.70*	IVR BBB- /Stable	IVR BBB- /Stable	-	-
2.	Cash Credit	LT	39.00	IVR BBB- /Stable	IVR BBB- /Stable	-	-
3.	Bank Guarantee	LT	19.52	IVR BBB- /Stable	IVR BBB- /Stable	-	-

**Outstanding as on December 31, 2023.*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit https://www.infomerics.com/

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	March 2025	0.70*	IVR BBB-/Stable
Cash Credit	-	-	-	39.00	IVR BBB-/Stable
Bank Guarantee	-	-	-	19.52	IVR BBB-/Stable

**Outstanding as on December 31, 2023.*

Annexure 2: Facility wise lender details: https://www.infomerics.com/admin/prfiles/Len-Vijay-Transmission-15032024.pdf

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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 https://www.infomerics.com.