



Press Release

Victora Automotive Inc.

April 15, 2021

Ratings

Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
Term Loan	25.00 (Reduced from Rs. 32.80 crore)	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
Fund Based Facilities (CC)	4.00	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
Fund Based Facilities (Bill Discounting)	64.00	IVR A3+ (IVR A Three Plus)	Reaffirmed
Fund Based facilities (Packing credit)	7.00	IVR A3+ (IVR A Three Plus)	Reaffirmed
Non-Fund Based Facilities (LC/BG/Forward Contract Limit)	11.50	IVR A3+ (IVR A Three Plus)	Reaffirmed
Total	111.50		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation continues to factor in the extensive experience of the promoters in the auto component industry as also the benefits of the group support being part of the Victora Group. The rating reaffirmation also continues to factor in the technological capabilities of the firm coupled with established relationships with the reputed customers and suppliers as also the healthy profit margins on effective cost controls leading to adequate coverage indicators.

The ratings, however, remained tempered on account of the declining trend in operating income in past few fiscals, nonetheless the firm is expected to maintain the revenues at almost FY2020 levels, its moderate capital structure and stretched operating cycle in FY2020. The firm's margins also remain vulnerable to raw material price fluctuations as also foreign exchange price fluctuations given a significant amount of exports in the sales mix. The revenues also remain vulnerable to cyclicity in the auto industry. Further, given the



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partnership nature of the firm, the capital structure remains vulnerable to any significant withdrawals by the partners.

Key Rating Sensitivities

Upward Rating Factors

- Growth in scale of operations on a sustained basis
- Improvement in the debt metrics on a sustained basis.

Downward Rating Factors

- Significant stretch in working capital cycle impacting the liquidity profile and increasing dependency on external borrowings.
- Significant withdrawals weakening the capital structure and subsequently the coverage metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Extensive experience of the promoters in the auto component industry**

VAI is promoted by Banga family. The managing partner, Mr. Hardeep Singh Banga has an extensive experience of over three decades in the auto component industry. Mr. Banga remains supported by an experienced team of professionals having adequate industry experience. Apart from VAI, the Victora group has also promoted Victora Auto Pvt Ltd and Bhunit Engineering Co. Pvt Ltd. who are also present in the auto component industry.

- **Established relationship with reputed clientele**

The firm, over the years, has developed an established relationship with large OEM's and Tier I players across India and overseas which has led to year-on-year repeated orders. The customer mix include Satyam Auto Components Limited (a Hero Motorcorp group Co.), Tenneco, Faurecia and Eberspeacher among others.



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- **Good technological ability**

The firm is capable of manufacturing machined and stamped auto components using the state of art technology. Its facilities house a machining division with an inbuilt forging facility and a stamping division. It's machinery capabilities include upto 1600 tonnes forging presses, CNC turning centers, vertical machining centers and other pre machining facilities. The firm is an ISO/TS 16949:2009, ISO 14001:2004 and OHSAS 18001:2007 certified organisation.

- **Healthy operating margins in past fiscals**

VAI in the past fiscals has reported operating margins around 22% given its effective cost control measures. The EBIDTA margins remained at 22.04% in FY2020 as compared to 22.71% in FY2019 despite a degrowth in the revenues. The EBIDTA margins are expected to be at similar levels in FY2021.

Key Weaknesses

- **Revenue moderation in FY2020 mainly on subdued exports**

The operating revenues declined to Rs. 245.62 in FY2020 after increasing to Rs. 294.29 in FY2019 from Rs. 193.09 crore in FY2018 driven by subdued exports since January 2020 on partial lockdown in key overseas markets. The firm in 9MFY2021 has clocked revenues of Rs. 181 crore and is expected to recover to Rs 248 crore in FY2021. The PAT margin reduced to 14.38% in FY2020 from 16.61% in FY2019 resulting from increase in interest cost in proportion with the total revenue.

- **Moderate gearing levels, adequate coverage indicators and operating cycle**

The overall gearing remained at 2.63 times as on March 31, 2020 as compared to 2.67 times as on March 2019. Given the healthy absolute profits, the coverage indicators continued to be adequate with interest coverage at 5.73 times in FY2020 as compared to 7.85 times in FY2019 and TD/EBIDTA at 2.39 times as on March 31, 2020 vis a vis 1.76 times in FY2019. While the operating cycle remained at 61 days in FY2020, it remained at 54 days in FY2019. Though debtor days remained at 139 days in FY2020 as



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compared to 118 days in FY2019, it was offset by commensurate creditor days providing some support. The inventory days remained at 32 days in FY2020.

- **Exposure to volatility in raw material prices and forex fluctuations**

The key raw materials used by the firm – aluminium, steel and stainless steel. The firm remains susceptible to the fluctuations in their price movements. The firm earns a substantial portion of its revenue by way of exports (~67 per cent of total sales), exposing it to forex fluctuation risk. However, pursues a hedging policy using forward covers whereby it hedges exposure equivalent to 70 per cent of 5 months sale (at any point in time) which provides some protection.

- **Exposed to cyclicalities inherent in auto industry**

VAI primarily caters to the automobile industry and manufactures different products used in passenger vehicles and two wheelers. Thus, it remains exposed to the cyclicalities in the auto industry as evidenced from the volatility in the top line over the past fiscals.

- **Vulnerable to capital withdrawal risk by partners**

IVRPL notes that VAI is a partnership firm and any substantial capital withdrawals by partners can impact its net worth and, hence, the capital structure.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

VAI's liquidity profile remains adequate marked by free cash balance of Rs 11.91 crore as on March 2020 and is expected to be in the same range in the coming fiscals. Further, the accruals generated are expected to cover the debt repayment obligations aggregating to Rs. 14.30 crore in FY2022 and Rs 17.22 crore in FY2023. However, the average utilization of its



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fund-based limits during the past twelve months ended February 2021 remained high at ~88% indicating a limited buffer. Further, withdrawals by partners would also remain critical as far as the liquidity of the firm is concerned. Absence of any debt funded capex in the near term also provides some comfort to the liquidity position.

About the Company

M/s Victora Automotive Inc. (VAI) is a partnership firm, which was originally incorporated in 1988 and registered by the name Advantec. Its name was changed to Victora Automotive Inc. in 2007. The firm is engaged in the business of manufacturing of machining and stamping components for automobile companies in India and abroad. The product range of the firm includes machined automotive components and sheet metal components among others. The firm is a part of the Victora group having interests in the auto component and hospitality businesses. The firm has a manufacturing facility based out of Haridwar – Uttarakhand. Also, the firm has set up a tool room in Faridabad.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	294.29	245.62
EBITDA	66.84	54.13
PAT	49.19	35.63
Total Debt	117.67	129.40
Tangible Net worth	40.27	47.59
EBITDA Margin (%)	22.71	22.04
PAT Margin (%)	16.61	14.38
Overall Gearing Ratio (x)^	2.67	2.63

^ Adjusted for unsecured loans

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2016-17
1.	Term Loan	Long term	25.00	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB- /Stable Outlook	-
2.	Cash Credit	Long term	4.00	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB- /Stable Outlook	-
3.	Bill Discounting	Short term	64.00	IVR A3+ (IVR A Three Plus)	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	IVR A3	-
4.	Packing credit	Short term	7.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus) January 15,2020	IVR A3	-
5.	Non-Fund Based Facilities	Short term	11.50	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus) January 15,2020	IVR A3	-

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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Name and Contact Details of the Rating Analyst:

Name: Mr. Karan Girdhar	Name: Mr. Shashikant Raut
Tel: (011) 2465 5636	Tel: (022) 62396023
Email: kgirdhar@infomerics.com	Email: shashikant.raut@infomerics.com

About Infomerics:

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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	-	-	January 2024	25.00	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)
Fund Based Facilities (CC)	-	-	-	4.00	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)
Fund Based Facilities (Bill Discounting)	-	-	-	64.00	IVR A2+ (IVR A Two Plus)
Fund Based facilities (Packing credit)	-	-	-	7.00	IVR A3+ (IVR A Three Plus)
Non-Fund Based Facilities (LC/BG/Forward Contract Limit)	-	-	-	11.50	IVR A3+ (IVR A Three Plus)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-Victora-Auto-Pvt-Limited-15-apr-21-.pdf>