Press Release

Victora Auto Private Limited

December 20, 2018

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Term Loan	10.0	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)
2.	Fund Based facilities (CC)	5.0	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)
3.	Fund Based facilities (Bill discounting)	135.0	IVR A2 (IVR A Two)
4.	Fund Based facilities (Packing credit)	15.0	IVR A2 (IVR A Two)
5.	Non fund based facilities (LC/BG)	25.0	IVR A2 (IVR A Two)
	Total	**190.0**	

Details of Facilities are in Annexure I

Detailed Rationale

The ratings derive strength from its experienced promoters and management, established clientele and relationship, diversified product portfolio, wide market presence, good technological abilities and growth in revenue and improved profitability. The ratings, however, are tempered by moderate capital structure, exposure to volatility in raw material prices, working capital intensive operations and intense competition among players. Scale of operations, technology upgradation, leverage and working capital management are the key rating sensitivities.

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). This is a strength for the company considering the B2B nature of the business and its diversified client base.

- **Diversified product portfolio**

The company is engaged in manufacturing 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.

- **Good Technological abilities**

The company is capable of manufacturing auto components using the latest available technology. Its facilities house single and double acting pneumatic, power and hydraulic presses in capacities ranging from 10 tonnes to 1000 tonnes, CNC bending machines, machining centers and other pre machining facilities. The company employs robotic welding facilities to ensure high quality output with minimal human intervention thereby reducing inefficiencies and creating cost advantage. The company is an ISO/TS 16949:2009 certified organisation.

- **Growth in revenue and improved profitability**

The company achieved substantial growth in revenue over the past three years (CAGR ~ 23.7% between FY16 and FY18). Over the past, the company has achieved improvement in terms of operational performance. EBITDA margin for the company also increased from 9.36% in FY16 to 10.47% in FY18 indicating improved operating efficiency due to increased scale.

Key Weaknesses

- **Moderate capital structure**

Overall gearing ratio though improved to 1.97 times as on March 31, 2018 from 2.62 times as on March 31, 2017, continues to be moderate. Working capital debt is high on account of elongated usance period/ tenor of export bills.

- **Exposure to volatility in raw material prices**

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. The company can pass on the impact of raw material price changes to its clientele with a lag of a month, hence its margins still continue to be susceptible to volatility during the time in the shorter time frame.

- **Working capital intensive operations**

The company has elongated debtor days, being in the range of 100 days. 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 fund based working capital limit utilisation during the last 12 months was high at 90%.

- **Intense competition among players**

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.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company has moderate debt protection parameters. The net worth of the company has increased over the last four to five years supported by infusion of capital by the promoter group. On an overall basis, the company has pared down its debt level gradually during the last three years. Further, the increasing level of gross cash accruals arising out of higher level of operating profit are matters of comfort for the company.

About the Company

Victora Auto Private Limited (VAPL) was originally incorporated under the name SDL Private Limited in NCR in 1991. It's 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 products. 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 a total of six manufacturing facilities. Of these, three facilities are based out of Faridabad, one in Manesar and two in Haridwar.

Financials (Standalone) **(Rs. crore)**

For the year ended/ As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	379.8	537.2
EBITDA	37.9	56.2
PAT	10.2	24.1
Total Debt*	208.1	230.6
Tangible Networth	79.5	116.8
Ratios		
EBITDA Margin (%)	9.97	10.47
PAT Margin (%)	2.60	4.35

Overall Gearing Ratio (x)	2.62	1.97

Note: Classification as per Infomerics' standards
* 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 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crores)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Term Loan	Long term	10.0	IVR BBB+/Stable Outlook	--	--	--
2.	Cash credit	Long term	5.0	IVR BBB+/Stable Outlook	--	--	--
3.	Bill discounting	Short term	135.0	IVR A2	--	--	--
4.	Packing credit	Short term	15.0	IVR A2	--	--	--
5.	Non fund based facilities	Short term	25.0	IVR A2	--	--	--

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. Crores)	Rating Assigned/ Outlook
Long Term Debt-Term Loan	-	-	March 2025	10.0	IVR BBB+/Stable Outlook
Long Term Fund Based Facilities-Cash Credit	-	-	-	5.0	IVR BBB+/Stable Outlook
Short Term Fund Based Facilities-Bill Discounting	-	-	-	135.0	IVR A2
Short Term Fund Based Facilities-Packing Credit	-	-	-	15.0	IVR A2
Short Term Non-Fund Based Facilities- LC/BG	-	-	-	25.0	IVR A2