Press Release

M/s Victora Automotive Inc.

December 20, 2018

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Term Loan	32.8	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
2.	Fund Based facilities (CC)	4.0	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
3.	Fund Based facilities (Bill discounting)	64.0	IVR A3 (IVR A Three)
4.	Fund Based facilities (Packing credit)	7.0	IVR A3 (IVR A Three)
5.	Non fund based facilities (LC/BG)	10.0	IVR A3 (IVR A Three)
	Total	**117.8**	

Details of Facilities are in Annexure I

Detailed Rationale

The ratings derive strength from its experienced promoters and management, established clientele and relationship, wide market presence, good technological ability, strong growth and healthy profitability and comfortable debt coverage parameters; although overall gearing being high. The ratings, however, are tempered by exposure to volatility in raw material prices, working capital intensive operations, customer concentration risk, constitution of the firm and intense competition. Scale of operations, capital structure, working capital management are the key rating sensitivities.

Key Rating Drivers along with Detailed Description

Key Rating Strengths

Experienced promoters and management

The firm 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. VAI is currently being managed by his son, Mr. Hardeep Singh Banga. The promoters are supported by a team of professionals who help in day to day management.

Established clientele and relationship

The firm 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 firm considering the B2B nature of the business and its diversified client base.

Wide market presence

The firm 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 derived about 70 per cent of its revenues from exports in FY18.

Good technological ability

The firm is capable of manufacturing auto components using the latest available technology. Its facilities house a machining division with an inbuilt forging facility and a stamping division.

Strong growth and healthy profitability

Operating income for the firm grew at a CAGR of ~12% between FY16 and FY18. EBITDA margins have been quite healthy, being in the range of 21-22%. This is primarily as the firm deals in products in the automotive segment wherein the margins are high.

Comfortable debt coverage parameters; although overall gearing being high

Overall gearing has generally been on the higher side. However, the other debt coverage parameters are generally comfortable. Working capital debt is high on account of elongated usance period/ tenor of export bills.

Key Rating Weaknesses

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 operation

The firm has elongated debtor days (over 150 days generally), due to better bargaining power of its clientele which are established OEM's. However, the same is significantly mitigated due to availing of long credit period from its suppliers.

Customer concentration risk

Though the firm has a reputed and established clientele base, about 75 per cent of its revenues accrue from top five customers, indicating customer concentration risk.

Constitution of the firm

Due to its constitution of being a partnership firm, the entity has the risk of withdrawal of partner's capital. In the last three years, a portion of the net profit was withdrawn by the partners.

Intense competition

The firm is primarily a machining 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.

Analytical Approach & Applicable Criteria

Standalone

Criteria on Parent & Group Support

Rating Methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

Average of average working capital utilisation stood at 86.7 per cent during the twelve months ended July 2018. Further, the increasing level of gross cash accruals arising out of higher level of operating profit provides comfort.

About the Company

M/s Victora Automotive Inc. (VAI) is a partnership firm, which was originally incorporated in 1988and registered by the name Advantec. It's 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.

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

For the year ended/ As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	141.1	193.1
EBITDA	30.1	44.1
PAT	19.2	30.9
Total Debt*	110.8	110.7
Tangible Net worth	35.4	39.0
Ratios		
EBITDA Margin (%)	21.31	22.84
PAT Margin (%)	13.51	15.91
Overall Gearing Ratio (x)	3.13	2.84

Note: Classification as per Infomerics' standards

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	32.8	IVR BBB- /Stable Outlook	--	--	--
2.	Cash credit	Long term	4.0	IVR BBB- /Stable	--	--	--

				Outlook			
3.	Bill discounting	Short term	64.0	IVR A3	--	--	--
4.	Packing credit	Short term	7.0	IVR A3	--	--	--
5.	Non fund based facilities	Short term	10.0	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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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.

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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	-	-	January 2024	32.8	IVR BBB-/Stable Outlook

Long Term Fund Based Facilities- Cash Credit	-	-	-	4.0	IVR BBB/-Stable Outlook
Short Term Fund Based Facilities- Bill Discounting	-	-	-	64.0	IVR A3
Short Term Fund Based Facilities- Packing Credit	-	-	-	7.0	IVR A3
Short Term Non-Fund Based Facilities- LC/BG	-	-	-	10.0	IVR A3