



Press Release

V-Marc India Limited

September 16, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	163.07 (enhanced from Rs.158.74) (including proposed limit of Rs. 0.86 crore)	IVR BBB Rating Watch with Developing Implications (IVR triple B; placed under Rating Watch with Developing Implications)	IVR BBB Rating Watch with Developing Implications (IVR triple B; placed under Rating Watch with Developing Implications)	Rating reaffirmed	Simple
Short Term Bank Facilities	68.00	IVR A3+ Rating Watch with Developing Implications (IVR A three plus; placed under Rating Watch with Developing Implications)	IVR A3+ Rating Watch with Developing Implications (IVR A three plus; placed under Rating Watch with Developing Implications)	Rating reaffirmed	Simple
Total	231.07 (INR two hundred thirty-one crore and seven lakhs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of V-Marc India Limited (VMIL) considers improvement in the financial performance with improvement in profitability, comfortable capital structure with improvement in debt protection metrics. Further, the ratings continue to derive strength from its long track record of operations under experienced promoters, pan India presence with diversified dealer network, its reputed clientele base and revenue visibility backed by its healthy order book. However, these rating strengths are constrained due to susceptibility of its profitability to fluctuation in input prices, on-going capex leading to project stabilisation risk, elongated operating cycle and intense competition in the industry.



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The ratings are placed under Rating watch with developing implications in view of Securities and Exchange Board of India's (SEBI) interim order to look into possible violations of provisions of Securities and Exchange Board of India Act, 1992 ("SEBI Act") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("PFUTP Regulations") based on a complaint received dated September 21, 2022 alleging the promoter for share price and volume manipulation during April 2021. The interim order was passed based on the prima facie conclusions to prevent the defalcation of the illegal gains amounting to Rs 6.38 crore. Infomerics will continue to monitor the developments in this regard and will take a view on the rating once the exact implications of the above on the credit risk profile of the entity are clear.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Sustenance of the capital structure and further improvement in debt protection metrics.

Downward Factors

- Any adverse order by the regulator adversely impacting the operational and financial performance of the company.
- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Moderation in capital structure with overall gearing ratio and interest coverage
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record of operation in wires and cables industry

Mr. Vikas Garg has 24 years of experience in the business of wires & cables since 1996 in trading of wires and cables. He started the business as partnership and gradually converted



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into listed company. Mrs. Meenakshi Garg also has experience of more than 14 years of trading business of wires and cables. She is responsible for Company's Human Resource Development and Finance related functions. Also, the over management of the company is highly experienced with relevant background.

Pan India presence with sound dealer network

The company's dealer network is present in 19 states across India with 500 dealers/distributors. Also, the company is an authorised dealer for various discoms.

Healthy order book position providing revenue visibility

VIML's unexecuted order book position as on June 30, 2024, stood at Rs. 486.43 crore which is to be executed in next one year indicating a healthy revenue visibility. The total work order includes 62% from government companies, 23% from EPC turnkey contractor and rest 15% purchase order from authorised channel partner and company depo in various states.

Reputed clientele with low counter party payment risk

VIML has a diversified client base comprising various government discoms, departments and reputed private players. Some of the reputed clientele of the company include Uttarakhand Power Corporation Limited (UPCL), Chhattisgarh State Renewable Energy Development Agency (CREDA), Punjab State Power Corporation Limited, Paschimanchal Vidyut Vitran Nigam Limited, Haryana Vidyut Prasaran Nigam Limited, Some of the renowned steel plants like Bokaro Steel Plant, Durgapur steel plant, Rourkela Steel plant, IISCO Steel Plant Burnpur, Salem, SAIL etc. The repeat orders received from its clientele validates its capabilities. Inspite of possessing low bargaining power with its customers, its clientele base has sound credit risk profile, which does reduce the counter party payment risk to a certain extent.

Improvement in the financial performance with improvement in profitability

The total operating income increased with a CAGR of ~76% from Rs. 181.32 crore FY22 (refers to period April 1st, 2022, to Mar 31, 2022) to Rs.564.75 crore in FY24 (refers to period April 1st, 2023, to Mar 31, 2024) and grew by y-o-y growth of 126% from Rs.249.41 crore in FY23 (refers to period April 1st, 2022, to Mar 31, 2023). This is led by the increase in the demand from the discoms driven by the government initiatives and addition of more clients to



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the portfolio including government contracts, EPC, and a diversified retail network. With the increase in the topline EBIDTA and PAT increased to Rs.65.78 crore and Rs.26.85 crore in FY24 respectively from Rs.26.91 crore and Rs.10.45 crore in FY23 respectively.

Comfortable capital Structure with improvement in debt protection metrics

The capital structure of the company had remained comfortable over the past three fiscal years with its satisfactory net worth base of Rs.106.44 crore supported by accretion of profits as on March 31, 2024. Total debt level of the company elevated in FY24 due to term loans availed to fund its capacity expansion capex coupled with rise in working capital borrowings to support its increased scale of operations leading to increase in total debt to Rs.140.50 crore as on March 31, 2024 from Rs.75.67 crore as on March 31, 2023. The overall gearing stood at 1.32x as on March 31, 2024 and moderated from 0.95x as on March 31, 2023. Long Term debt to equity marginal moderated to 0.59x as on March 31, 2024, from 0.34x as on March 31, 2023 due to the addition of Term loan. Further, total indebtedness of the company marked by TOL/TNW has also marginally moderated to 3.27x as on March 31, 2024, from 2.10x as on March 31, 2023. Debt protection metrics of the company remained comfortable with improvement in the interest coverage ratio 3.02x in FY24 from 2.41x in FY23 led by increase in operating profit. Total debt to EBIDTA also improved to 2.14x in FY24 from 2.81x in FY23. DSCR also remains comfortable at 2.14x in FY24 as against 1.60x in FY23.

Key Rating Weaknesses

Susceptibility of operating margin to fluctuations input prices

VIML's operating margin is susceptible to volatility in its input prices especially aluminium. The company procures raw material from majors like NALCO, Hindalco along with various traders. Any upward movements in the prices of aluminium, the primary raw material used in the manufacture of cables and conductors can have an adverse effect on the profit margins

Elongated Operating Cycle

The receivable cycle of VIML improved to 65 days in FY24 from 90 days in FY23 though remained high on account of elongated payment cycle from government companies. About 25% of the sales takes place at the end of the last quarter which makes the debtors receivables



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elongated at the end of the financial year. The working capital cycle improved to 48 days in FY24 from 105 days in FY23. However, the operating cycle is managed by stretching the creditors. The average creditors period decrease to 93 days in FY24 from 111 days in F23.

Exposure to intense competition; leading to range-bound margins

The industry is characterized by high fragmentation with large number of unorganised players, constraining the pricing power of organised sector players. Apart from the unorganized sector, VIML also faces competition from the organized sector players. The EBITDA margins have remained range-bound between 10-11% over the last few years given the intense competition and fragmentation in the industry.

Analytical Approach: Standalone.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Default recognition policy](#)

Liquidity – Adequate

The liquidity position of VIML remain adequate characterized by expected sufficient cushion in cash accruals of Rs.53.31 crore to Rs.76.84 crore in FY25 to FY27 respectively vis-à-vis its repayment obligations of about Rs.11.00 crore to Rs.14.00 crore in FY25 to FY27. The current ratio also remained comfortable at 1.15x as on March 31, 2024. However, the fund based remain utilized ~88% during the past 12 months ended June 2024 indicating a adequate liquidity buffer.

About the Company

V-Marc India Limited (VMIL) was originally formed in 1996 as a partnership firm carrying on its business under the name & style of “Asian Wires & Cables Industries manufacturing and



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marketing firm dealing in electrical wires & cables for modern needs with brand name “VMarc”. The partnership business was then converted into private limited by the name Asian Galaxy Private Limited (AGPL) incorporation date being 04.03.2014 with the partners becoming the directors. The existing company was then converted into limited company by the name V Marc India Limited in 2021 and got listed on NSE on April 09, 2021. Presently the company is engaged in manufacturing and distribution of HT/LT cables and housing wire to discoms, PSUs, EPC contractors and dealers. The company got listed in NSE SME exchange in April 2021.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	249.41	564.75
EBITDA	26.91	65.78
PAT	10.45	26.85
Total Debt	75.67	140.50
Tangible Net Worth	79.44	106.44
EBITDA Margin (%)	10.79	11.65
PAT Margin (%)	4.18	4.75
Overall Gearing Ratio (x)	0.95	1.32
Interest Coverage (x)	2.41	3.02

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)		Rating History for the past 3 years					
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	
					Aug 07, 2024	March 11, 2024	August 1, 2023	May 30, 2022	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)		Rating History for the past 3 years					
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	95.50	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB/Stable	IVR BBB-/Positive	-
2.	Term Loan	Long Term	63.68	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB/Stable	IVR BBB-/Positive	-
3.	WCTL (ECLGS)	Long Term	0.60	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB/Stable	-	-
4.	GECL	Long Term	2.43	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB/Stable	-	-
5.	Bank Guarantee	Short Term	29.00	IVR A3+ under	IVR A3+ under	IVR A3+ under	IVR A3+	IVR A3	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)		Rating History for the past 3 years					
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
				Rating Watch with Developing Implications	Rating Watch with Developing Implications	Rating Watch with Developing Implications			
6.	Letter of Credit	Short Term	39.00	IVR A3+ under Rating Watch with Developing Implications	IVR A3+ under Rating Watch with Developing Implications	IVR A3+ under Rating Watch with Developing Implications	IVR A3+	IVR A3	-
7	Proposed Cash Credit	Long Term	0.86	IVR BBB under Rating Watch with Developing Implications	-	-	-	-	-
8.	Unallocated Limits	-	-	-	-	-	Withdrawn	IVR BBB-/Positive/IVR A3	-

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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 and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan I	-	-	-	Sept 2026	4.97	IVR BBB Rating Watch with Developing Implications



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Term Loan II	-	-	-	Sept 2029	12.65	IVR BBB Rating Watch with Developing Implications
Term Loan III	-	-	-	May 2031	27.49	IVR BBB Rating Watch with Developing Implications
Term Loan IV	-	-	-	December 2030	18.57	IVR BBB Rating Watch with Developing Implications
GECL 1.0	-	-	-	Nov 2024	0.59	IVR BBB Rating Watch with Developing Implications
GECL 1.0 Ext	-	-	-	October 2026	1.84	IVR BBB Rating Watch with Developing Implications
WCTL (ECLGS) I	-	-	-	January 2025	0.15	IVR BBB Rating Watch with Developing Implications
WCTL (ECLGS) II	-	-	-	February 2027	0.45	IVR BBB Rating Watch with Developing Implications
Cash Credit I	-	-	-	-	15.00	IVR BBB Rating Watch with Developing Implications
Cash Credit II	-	-	-	-	45.50	IVR BBB Rating Watch with Developing Implications
Cash Credit III	-	-	-	-	15.00	IVR BBB Rating Watch with Developing Implications
Cash Credit IV	-	-	-	-	20.00	IVR BBB Rating Watch with Developing Implications
Proposed Cash Credit	-	-	-	-	0.86	IVR BBB Rating Watch with



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						Developing Implications
Bank Guarantee I	-	-	-	-	5.00	IVR A3+ Rating Watch with Developing Implications
Bank Guarantee II	-	-	-	-	19.00	IVR A3+ Rating Watch with Developing Implications
Bank Guarantee III	-	-	-	-	5.00	IVR A3+ Rating Watch with Developing Implications
Letter of Credit I	-	-	-	-	10.00	IVR A3+ Rating Watch with Developing Implications
Letter of Credit II	-	-	-	-	19.00	IVR A3+ Rating Watch with Developing Implications
Letter of Credit II	-	-	-	-	10.00	IVR A3+ Rating Watch with Developing Implications

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-VMarc-sep24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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 www.infomerics.com.