



## Press Release

### Vijay Transmission Private Limited

February 03, 2023

#### Rating

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	53.67	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>53.67</b> <b>(Fifty three crore and sixty seven lakhs only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Vijay Transmission Private Limited (VTPL) derives strength from its experienced promoter and management team, diversified product profile and moderate order book position indicating near term revenue visibility. The rating also positively notes the improvement in total operating income in FY2022 which is expected to continue further in the near term. Further, the rating draws comfort from the improvement in capital structure and debt coverage indicators in FY2022. However, these rating strengths remain constrained by moderate profitability, working capital intensive nature of its operations and exposure to intense competition.

#### 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 overall gearing along with better liquidity cushion available in its working capital limit utilization
- Effective management of its working capital requirement resulting in improvement in its operating cycle through improvement in its average receivables days and inventory cycle

##### Downward Factors:

- Any decline in scale of operation and/or significant elongation of working capital cycle and debt protection metrics.



## Press Release

- Moderation in its overall gearing beyond 1.80 times on a sustained basis
- 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, Chhattisgarh 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 an 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. Vast experience of the promoter in the 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 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.98.32 crore as on November 30, 2022 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 top line in FY2022, expected to improve further in the near term**

Total Operating Income (TOI) increased at a CAGR of ~23% during FY2020-FY2022 with a y-o-y growth of ~75% from Rs.112.44 crore in FY2021 to Rs.196.95 crore in FY2022 backed by healthy order inflow from its major customers. However, the TOI was impacted in FY2021 due to the slowdown in demand consequent to lockdown restrictions arising due to COVID 19 pandemic. VTPL reported a TOI of Rs.168.67 crore during 9MFY2023 as against a TOI of Rs.131.27 crore during 9MFY2022.

- **Improvement in capital structure and debt coverage indicators in FY2022**



## Press Release

The debt profile of the company majorly comprises of term loans from banks and financial institutions and working capital borrowings. The capital structure of the company continues to remain leveraged due to its high working capital borrowings. Overall gearing improved marginally from 1.52x as on March 31, 2021 to 1.44x as on March 31, 2022 subsequent to accretion of profits to reserves. Further, on account of increase in overall profitability, the debt coverage indicators improved with ICR of 2.04x (1.43x in FY2021) and total debt to GCA of 11.64x (23.12x in FY2021) in FY2022. TOL/TNW remained moderate at 2.91x as on March 31, 2022 (3.07x as on March 31, 2021).

### **Key Rating Weakness:**

- **Moderate profitability**

VTPL's operating margin deteriorated by 106 bps and stood at 4.89% in FY2022 as against 5.95% in FY2021 on account of increase in material cost, job work expenses. Though PAT margin increased in FY2022, it continued to remain thin at 1.28% (0.29% in FY2021). Further, EBITDA margin and PBT margin stood at 5.62% and 2.47% respectively during 9MFY23.

- **Working capital intensive nature of operations**

The working capital cycle though improved in FY2022 yet continues to remain high at 111 days (132 days in FY2020 and 170 days in FY2021) 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 30-90 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 ~96% during the last twelve months ended December 2022 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, posing intense competition.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)



## Press Release

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

[Criteria of assigning Rating Outlook](#)

### **Liquidity Position: 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.4.56 crore in FY2023, Rs.7.63 crore in FY2024 and Rs.5.71 crore in FY2025. However, due to working capital intensive nature of operations owing to elongated receivable cycle and high inventory days, the average working capital utilisation remained high at ~96% for the last twelve months ended December 2022 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	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	112.44	196.95
EBITDA	6.69	9.62
PAT	0.32	2.53
Total Debt	49.64	50.67
Tangible Net worth	32.67	35.22
EBITDA Margin (%)	5.95	4.89
PAT Margin (%)	0.29	1.28
Overall Gearing Ratio (x)	1.52	1.44

*\*Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA:** None.

**Any other information:** Nil

**Rating History for last three years:**



## Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	3.67 *	IVR BBB- / Stable			
2.	Cash Credit	Long Term	29.00	IVR BBB- / Stable	-	-	-
3.	Bank Guarantee	Long Term	21.00	IVR BBB- / Stable	-	-	-

\*Outstanding as on November 30, 2022

### Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Gupta	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: <a href="mailto:hdidwania@infomerics.com">hdidwania@infomerics.com</a>	Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>

### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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## Press Release

assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Term Loan	-	-	March 2025	3.67 *	IVR BBB-/Stable
Cash Credit	-	-	-	29.00	IVR BBB-/Stable
Bank Guarantee	-	-	-	21.00	IVR BBB-/Stable
<b>Total</b>				<b>53.67</b>	

*\*Outstanding as on November 30, 2022*

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-VijayTransmission-feb23.pdf>

**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 [www.infomerics.com](http://www.infomerics.com).