Press Release

Victora Automotive Private Limited
(Erstwhile Victora Automotive Inc)
October 19, 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

Infomerics notes that the firm has changed its constitution from a partnership firm to a Private Limited Company in March 2021, which is expected to result in better disclosure as well as governance structure. As informed by the company, the assets and liabilities of erstwhile VAI have been now transferred to the new company in March 2021. The company also has informed Infomerics that there has been no material change in the operations and financials of the company since the last rating exercise undertaken.

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 company 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 company is expected to maintain the revenues at almost FY2020 levels, its moderate capital structure and stretched operating cycle in FY2020. The company'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 cyclicality in the auto industry.

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 weakening of 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**

VAPL (erstwhile VAI) is promoted by Banga family. The managing director, 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 VAPL, 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 company, 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.

- **Good technological ability**

The company 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 company is an ISO/TS 16949:2009, ISO 14001:2004 and OHSAS 18001:2007 certified organisation.

- **Healthy operating margins in past fiscals**

VAPL in the past fiscals has reported operating margins around 23% given its effective cost control measures. The EBIDTA margins has improved to 23.89% in FY21 (P) as compared to 22.04% in FY2020 and 22.71% in FY2019 despite a degrowth in the revenues.

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 company has reported the revenue of Rs. 260.08 crore in FY2021 (P) as also Rs. 132.52 crore in the 6 months ending September 2021. The PBT margin has improved to 16.07% in FY21 (P) from 14.38% in FY2020 due to rationalizing of the expenses.

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

The overall gearing remained at 1.56 times as on March 31, 2021 whereas it stood at 2.63 times as on March 31, 2020. Given the healthy absolute profits, the coverage indicators continued to be adequate with interest coverage at 5.79 times in FY2021 (P) as compared to 5.73 times in FY2020 and TD/EBIDTA at 3.62 times as on March 31, 2021 vis a vis 2.39 times in FY2020. While the operating cycle remained at 97 days in FY2020, it remained at 61 days in FY2020. Though debtor days remained at 148 days in FY2021 as compared to 139 days in FY2020, it was offset by commensurate creditor days providing some support. The inventory days remained at 33 days in FY2021.

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

The key raw materials used by the company – aluminium, steel and stainless steel. The company remains susceptible to the fluctuations in their price movements. The company 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 cyclicality inherent in auto industry**

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

Analytical Approach: Standalone
Applicable Criteria:
Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate
Victora Automotive Pvt Ltd liquidity profile remains adequate marked by free cash balance of Rs 15.04 crore as on March 2021 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 fund-based limits during the past twelve months ended February 2021 remained high at ~88% indicating a limited buffer. 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 Private Limited (erstwhile Victora Automotive Inc) was originally incorporated in 1988 as a partnership firm and registered by the name Advantec. Its name was changed to Victora Automotive Inc. in 2007. In March 2021, the partnership firm was converted into a private limited company. The company is engaged in the business of manufacturing of machining and stamping components for automobile companies in India and abroad. The product range of the company includes machined automotive components and sheet metal components among others. The company is a part of the Victora group having interests in the auto component and hospitality businesses. The company has a manufacturing facility based out of Haridwar – Uttarakhand. Also, the company has set up a tool room in Faridabad.

Financials (Standalone):
(Rs. crore)

For the year ended* As on	31-03-2020	31-03-2021
	Audited	**Provisional**
Total Operating Income	245.62	260.08
EBITDA	54.13	62.13
PBT	35.63	42.15
Total Debt	129.40	27.42
Tangible Net worth	47.59	15.00
EBITDA Margin (%)	22.04	23.89
PBT Margin (%)	14.38	16.07
Overall Gearing Ratio (x)	2.63	1.56

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument /Facilities	Current Rating (Year 2021-22)				Rating History for the past 3 years		
		Type	**Amount outstanding (Rs. Crore)**	**Rating**	**Rating**	**Date(s) & Rating(s) assigned in 2020-21**	**Date(s) & Rating(s) assigned in 2019-20**	**Date(s) & Rating(s) assigned in 2018-19**
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 (IVR Triple B with Stable Outlook)	IVR BBB- /Stable Outlook	-

Sl. No.	Name of Instrument /Facilities	Current Rating (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
					(April 15, 2021)			
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) (April 15, 2021)	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 A3+ (IVR A Three Plus) (April 15, 2021)	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	IVR A3	-
4.	Packing credit	Short term	7.00	IVR A3+	IVR A3+	IVR A3+	IVR A3	-

Sl. No.	Name of Instrument /Facilities	Current Rating (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
				(IVR A Three Plus)	(IVR A Three Plus) (April 15, 2021)	(IVR A Three Plus) January 15,2020		
5.	Non-Fund Based Facilities	Short term	11.50	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus) (April 15, 2021)	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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About Infomerics:

Press Release

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	July 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)

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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/Victora-Automotive-lenders-oct21.pdf

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1	Long Term Bank Facilities – Cash credit	Simple
2	Long Term Bank Facilities – Term Loan	Simple
3	Long Term Bank Facilities – Bill Discounting	Simple
4	Short Term Bank Facilities – Packing Credit	Simple
5	Short Term Bank Facilities – LC/BG/Forward Contract	Simple

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.