Press Release

Vikram India Limited
January 23, 2024

Ratings

Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long-Term Bank Facilities	34.46	IVR BB+; Stable (IVR Double B Plus with Stable outlook)	Upgraded and removed from Issuer Not Cooperating category	Simple
Short-Term Bank Facilities	41.00	IVR A4+ (IVR Single A Four Plus)	Upgraded and removed from Issuer Not Cooperating category	Simple
Total	**75.46 (INR Seventy five crore and forty six lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has removed the ratings assigned to the bank facilities Vikram India Limited (VIL) from Issuer Not Cooperating category based on adequate information received from the company to review its ratings.

The upgrade in the ratings assigned to the bank facilities of VIL derives strength from its long track record of operation under experienced promoters, diversified business with reputed customer base backed by stable business performance in FY23 and in H1FY24 with improvement in profitability along with satisfactory capital structure supported by subordinated unsecured loans. However, these rating strengths remain partially offset by its modest scale, highly working capital-intensive nature of operation with moderate debt protection metrics. Further, these rating strengths also remain constrained due to its dependence on the tea industry coupled with its exposure to foreign currency fluctuation risk.

Key Rating Sensitivities:

Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustenance of the capital structure and improvement in interest coverage ratio to above 2.5x

- Efficient management of working capital thereby improvement in GCA days and operating cycle

Downward Factors

- Decline in revenue and profitability leading to deterioration in debt protection metrics on a sustained basis
- Withdrawal of subordinated unsecure loan of Rs.39.34 crore
- Impairment in the capital structure with moderation in overall gearing to over 1.5x and interest coverage to below 1x
- Stretch in the working capital cycle driven by pile-up of inventory leading to increase in operating cycle impacting the liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Experienced promoters with long track record & demonstrated support**

Vikram India Limited (VIL) has commenced its operation from 1974 and has a long track of operations of about four and a half decades. The promoter and Managing Director of VIL, Mr. Hari Krishna Chaudhary has vast business experience of more than five decades in this sector. Furthermore, the board is well supported by a team of experienced professionals. The promoters of the company support the business as per requirement by infusing funds in the form of unsecured loans and have demonstrated support to the company.

- **Diversified business with reputed customer base**

VIL has wide market reach both in domestic and world market in its manufacturing of tea processing machinery segment. Over the years of its operations, VIL developed a broad export market spread across Sri Lanka, Bangladesh, Kenya, Uganda, Cameron, Rowanda, Japan etc. VIL has established a strong relationship with its customers ensuring repeat orders and has developed a strong brand name “Vikram” for its tea processing machineries. Further, VIL ventured into the Module mounting structures (MMS) segment is mainly used in the solar power industry in 2017 to diversify its revenue base and established customer base including players like Adani Power, Azure Power, TATA Power and Larsen & Toubro Limited, Construction, etc. MMS segment contributed around ~39% of revenue in FY23 for the company.

- **Stable business performance in FY23**

Vikram India limited has maintained a stable operational performance over the past few years as the total operating income (TOI) of the company has grown at a CAGR of 5.46% from ~Rs.107.28 crore in FY20 to Rs.125.85 crore in FY23. The steady growth in topline is backed by proper execution of work orders in the tea processing machine division coupled with the steady revenue generation from Module Mounting Structure division which commenced operations from November 2016. Till H1FY24, VIL has managed to churn out revenue of ~Rs.64 crore. Furthermore, with unexecuted orderbook of ~Rs.69 crore which are expected to be completed with next four-five months. With improvement in topline, the absolute EBITDA has improved over the years. However, the operating margin which hovered ~11%-12% over the past three years has improved to 12.63% in FY23 against 12.12% of FY22. Further, despite increase in finance cost, backed by improved absolute EBITDA, PAT margin in FY23 has also improved to 1.96% in comparison to 1.19% of FY22. However, due to deferred tax adjustments, the gross cash accruals in FY23 has moderated to Rs.4.96 crore from Rs.5.04 crore of FY22.

- **Satisfactory capital structure supported by subordinated unsecured loan**

The capital structure of the company has remained moderate marked by its moderate net worth base of Rs.42.31 crore as on March 31, 2023. Further, considering the subordinated unsecured loan of Rs. 39.34 crore from promoters and related parties and after adjusting the investment in group companies (Rs.0.91 crore), the adjusted net worth of VIL has improved and stood at Rs.80.74 crore leading to a comfortable adjusted overall gearing of 0.70x as on March 31, 2023, which has improved from 2.80x (without considering quasi equity) as on March 31,2022. Further, overall indebtedness of the company marked by TOL/ATNW also stood satisfactory at 1.52x as on March 31, 2023.

Key Rating Weaknesses:

- **Highly working capital-intensive nature of operation**

VIL has long processing time of about three and half months for its manufacturing operations. Furthermore, commissioning of turnkey projects also takes about 3-4 months. To support its manufacturing operations and commissioning of turnkey projects the company has to hold adequate inventory of raw materials. Long processing time and high inventory holding increases the working capital intensity for the business. The average inventory period in FY23 has increased to 383 days from 333 days in FY22. Moreover, the average collection period for the company also remained around 90-115 days which further aggravated the working capital requirements. However, based on its established presence, VIL enjoys an elongated credit period of about 3-4 months from its suppliers which supports it working capital requirements to some extent. The average utilisation of fund-based working capital bank limits was high at ~97% for 12 months ended September 2023.

- **Moderate debt protection metrics**

Despite the increase in absolute EBITDA, owing to increased finance cost, the debt protection metrics marked by interest coverage ratio has slightly moderated yet remains satisfactory at 1.59x in FY23 against 1.62x in FY22. Further, total debt to EBITDA and total debt to GCA though improved, remains stretched at 3.55x and 11.39 years respectively as on March 31, 2023 (7.67x and 14.81 years as on March 31, 2022).

- **Dependence on the Tea industry**

Tea processing machinery segment contributes around 61% of total sales of the company in FY23 indicating a high dependence of the company on the Tea industry. Tea industry globally is an agro-based non-conventional industrial sector and highly susceptible to vagaries of nature. Furthermore, being a labour-intensive industry, it is also susceptible to labour related problems. High dependence on the Tea industry restricts the business risk profile of the company to an extent and any negative bearing on the tea industry can hinder its growth. However, diversification in the manufacturing of MMS and string combiner box is expected to auger well for the company going forward.

- **Exposure to foreign currency fluctuation risk**

The company has derived ~27 % of its revenue in FY23 from exports. Being an exporter, the company is moderately exposed to foreign currency fluctuation risks. To mitigate the risk VIL uses forward contracts, and PCFC limits. However, at times VIL keeps the forex exposure unhedged as well. As of September 2023, the unhedged forex exposure stood at Rs.6.15 crore.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Policy on default recognition

Liquidity: Adequate

The liquidity of the company is expected to remain adequate in the near to medium term marked by its expected sufficient cash accruals vis-à-vis its debt repayment obligations. The company is expected to earn cash accruals in the range of ~Rs.7.80-10.90 crore which is expected to be sufficient to meet its debt obligations ranging from Rs. 3.38 - 2.10 crore during FY24-FY26. However, the average working capital utilization of the company remained high at ~97% indicating low liquidity buffer. Further, the liquidity position of the company is impacted due to its high operating cycle attributable to its elongated work in process period.

About the Company

Kolkata (West Bengal) based Vikram India Limited (VIL) was initially incorporated as a private limited company, Vikram Forging and Allied Industries Ltd in 1974 by Mr. Hari Krishna Chaudhary). Later, the constitution of the company was changed to its present status and the name was also changed to Vikram India Limited. VIL is engaged in manufacturing of entire range of tea processing machinery from plucking to packing under the brand name “Vikram” and also engaged in execution of turnkey projects in the tea industry. It also provides customized project consultancy services and training packages to its clients. The manufacturing facilities of the company are located at Dhulagarh and Ghusuri of Howrah district in West Bengal. VIL has started manufacturing of module mounting structures (MMS) from November 2016, which is mainly used in the solar power industry.

Financials of Vikram India limited (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	120.04	125.85
EBITDA	14.55	15.89
PAT	1.44	2.47
Total Debt	111.62	56.46
Tangible Net worth	39.81	42.31
Tangible Net worth Adjusted	39.81	81.65
EBITDA Margin (%)	12.12	12.63
PAT Margin (%)	1.19	1.96
Overall Gearing Ratio (x)	2.80	2.26
Overall Gearing Ratio Adjusted (x)	2.80	0.69
Interest Coverage	1.62	1.59

*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 Rating (Year 2023-24)			Rating History for the past 3 years			
		Type	**Amount outstanding (Rs. Cr.)**	**Rating**	**Date(s) & Rating(s) assigned in 2023-24 (Nov 28, 2023)**	**Date(s) & Rating(s) assigned in 2022-23 (Dec 07, 2022)**	**Date(s) & Rating(s) assigned in 2021-22 (Sep 16, 2021)**	**Date(s) & Rating(s) assigned in 2020-21 (June 18, 2020)**
1.	Term Loan	Long Term	14.46	IVR BB+/ Stable	IVR B+/ Negative, INC*	IVR BB-/ INC*	IVR BB/ INC*	IVR BB+/ INC*
2.	Cash Credit	Long Term	20.00	IVR BB+/ Stable	IVR B+/ Negative, INC*	IVR BB-/ INC*	IVR BB/ INC*	IVR BB+/ INC*
3.	PCFC	Short Term	16.00	IVR A4+	IVR A4, INC*	IVR A4, INC*	IVR A4, INC*	IVR A4+, INC*
4.	Bank Guarantee	Short Term	10.00	IVR A4+	-	-	-	-
5.	Letter of Credit	Short Term	15.00	IVR A4+	IVR A4, INC*	IVR A4, INC*	IVR A4, INC*	IVR A4+, INC*

* Issuer Not Cooperating based on best available information

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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 visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits –Cash Credit	-	-	-	20.00	IVR BB+/ Stable
Long Term Fund Based Limits –Term Loan	-	-	July 2033	14.46	IVR BB+/ Stable
Short Term Fund Based Limits –PCFC	-	-	-	16.00	IVR A4+
Short Term Non Fund Based Limits –Bank Guarantee	-	-	-	10.00	IVR A4+
Short Term Non Fund Based Limits –Letter of Credit	-	-	-	15.00	IVR A4+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-VikramIndia-jan24.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

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