Press Release

V-Marc India Limited

August 1, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	106.50 (increased from Rs. 43.30 crore)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Revised from IVR BBB-/ Positive (IVR triple B minus with Positive outlook)	Simple
Short Term Bank Facilities	63.00 (increased from Rs. 23.00 crore)	IVR A3+ (IVR A three plus)	Revised from IVR A3 (IVR A three)	Simple
Long Term/Short Term Facilities	-	-	Withdrawn^	Simple
Total	**169.50 (INR One hundred sixty nine crore and fifty lakh only)**			

^Unallocated bank facilities of Rs.0.70 crore has been withdrawn as the limit was not availed by the company.

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of V-Marc India Limited (VMIL) considers the improvement in the financial performance with improvement in profitability of the company in FY22 and FY23. Further, the ratings continue to derive strength from its long track record of operations under experienced promoters. The ratings also favourably factor in its 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.

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

- 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 to over 1x and/or moderation in interest coverage below 1.5x.
- 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

- **Improvement in the financial performance with improvement in profitability in FY22 and FY23**

The total operating income increased with a CAGR of ~19% from Rs. 175.13 crore FY21 to Rs.249.41 crore in FY23 and registered y-o-y growth of 36% from Rs.181.02 crore in FY22. This is led by the increase in the demand from the discoms driven by the government initiatives and addition of more clients to the portfolio. EBITDA margin improved to 10.79% in FY23 from 8.38% in FY21 (8.24% in FY22) majorly due to positive movement in stock value. Led by the increase in EBIDTA and due to addition of other income amounting to Rs.2.56 crore PAT margin improved to 4.18% in FY23 from 3.30% in FY21. GCA also improved to 13.16 crore in FY23 from Rs.7.74 crore in FY21 (Rs.7.25 crore in FY22) due to increase in PAT level. Infomerics expects the current capacity addition will aid the company in increasing the topline and consequently the profits, going forward.

- **Improvement in the capital Structure with improvement in debt protection metrics**

The capital structure of the company remained comfortable marked by overall gearing at 0.95x as on March 31, 2023 and improved from 1.17x as on March 31, 2021 (0.88 x in FY22) due to accretion of profit to net worth. Long Term debt to equity marginal moderated to 0.34x as on March 31, 2023 from 0.24x as on March 31, 2021 due to the addition of Term loan for capex. Further, total indebtedness of the company marked by TOL/TNW improved to 2.10x as on March 31, 2023 from 2.13x as on March 31, 2021. The debt protection metrics of the company remained comfortable over the past three years. However, the interest coverage ratio marginally moderated to 2.41x in FY23 from 2.81x in FY21 (2.28x in FY22) due to increase in the interest expenses with the increase in Term loan.

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

Mr. Vikas Garg has 23 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 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 450 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 July 7, 2023 stood at Rs. 204.17 crore which is to executed in next one year indicating a healthy revenue visibility. The total work order includes 47% from government companies, 41% from EPC turnkey contractor and rest 12% 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.

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.

- **Ongoing capex leading to project stabilization risk**

VMIL has executed a capex in FY23 and added additional capacity of 11,520 KMS PA for manufacturing of underground wires of 66 KV and has received the COD on March 31, 2023. The company is still in the process of stabilisation and has ordered more machineries for the unit with a total value of Rs. 25-26 crore to be funded through Rs. 20 crore Bank finance and rest through internal accruals, for which the funding tie up is pending. The additional capex is expected to start its operation from FY25 in phase wise manners.

- **Stretched operating cycle with elongated receivable**

The receivable cycle of VIML improved to 90 days in FY23 96 days in FY21 (102days in FY22) 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 elongated at the end of the financial year. The working capital cycle improved to 109 days in FY23 from 121 days in FY21 (143 days in FY22). However, the operating cycle is managed by stretching the creditors. The Average creditors period increased to 111 days in FY22(prov.) from 91 days in FY21 accordingly to match the cash flow of the company.

- **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 8-9 % 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 for assigning rating outlook

Liquidity –Adequate

Liquidity position of VIML remain adequate characterized by expected sufficient cushion in cash accruals of Rs.19.62 crore to 33.72 crore in FY24 to FY26 respectively vis-à-vis its repayment obligations of about Rs.5.25 crore to Rs.12.05 crore in FY24 to FY26. The current ratio also remained comfortable at 1.19x as on March 31, 2023. However, the fund based and non-fund based bank limits remain utilized ~55% and ~56% respectively during the past 12 months ended May 2023 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 marketing firm dealing in electrical wires & cables for modern needs with brand name "V-Marc". 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. The company has used its IPO proceeds for funding its new manufacturing unit with a capacity of 11,520 kms p.a.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Audited
Total Operating Income	181.32	249.41

EBIDTA	14.63	24.79
PAT	4.99	10.45
Total Debt	60.92	75.67
Tangible Net Worth	68.90	79.44
Adjusted Tangible Net Worth	68.90	79.44
EBDITA Margin (%)	8.08	10.02
PAT Margin (%)	2.74	4.18
Overall Gearing Ratio (x)	0.88	0.95

**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 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (May 30, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	80.50	IVR BBB/ Stable	IVR BBB-/ Positive	-	-
2.	Term loan	Long Term	19.99	IVR BBB/ Stable	IVR BBB-/ Positive	-	-
3.	WCTL (ECLGS)	Long Term	0.94	IVR BBB/ Stable	-	-	-
4.	GECL	Long Term	5.07	IVR BBB/ Stable	-	-	-
5.	Letter of Credit	Short Term	34.00	IVR A3+	IVR A3	-	-
6.	Bank Guarantee	Short Term	29.00	IVR A3+	IVR A3	-	-
7.	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 visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	15.00	IVR BBB/ Stable

Term Loan	-	-	September 2026	7.19	IVR BBB/ Stable
WCTL (ECLGS)	-	-	January 2025	0.43	IVR BBB/ Stable
WCTL (ECLGS)	-	-	February 2027	0.51	IVR BBB/ Stable
Term Loan	-	-	September 2029	12.80	IVR BBB/ Stable
GECL	-	-	July 2024	2.72	IVR BBB/ Stable
GECL	-	-	October 2026	2.35	IVR BBB/ Stable
Cash Credit	-	-	-	45.50	IVR BBB/ Stable
Cash Credit	-	-	-	10.00	IVR BBB/ Stable
Cash Credit	-	-	-	10.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	5.00*	IVR A3+
Letter of Credit	-	-	-	10.00*	IVR A3+
Bank Guarantee	-	-	-	19.00	IVR A3+
Letter of Credit	-	-	-	19.00	IVR A3+
Bank Guarantee	-	-	-	5.00	IVR A3+
Letter of Credit	-	-	-	5.00	IVR A3+

*****Two Way Interchangeability between LC & BG

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

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-VMIL-aug23.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.