

**Rating Rationale**

**V-Marc India Limited**

**Brickwork Ratings downgrades the long term and short term ratings for the Bank Loan Facilities of ₹. 67.85 Crores of V-Marc India Limited**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
<b>Fund Based</b>	31.24	<b>43.86</b>	Long Term	BWR BBB Stable	<b>BWR BBB- Stable [Downgrade]</b>
<b>Non-fund Based</b>	23.00	<b>23.00</b>	Short Term	BWR A3+	<b>BWR A3 [Downgrade]</b>
<b>Total</b>	54.24	<b>67.85</b>	<b>INR Sixty seven crores and eighty five lacs only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

**RATING ACTION /OUTLOOK :-**

BWR has downgraded the long term and short term ratings for the bank loan facilities of **V-Marc India Limited (VMIL)** from ‘**BWR BBB (Stable)/A3+**’ to ‘**BWR BBB- (Stable) /A3**’. The ratings downgrade is led by stretched liquidity position of the company marked by full utilisation of working capital limits, declined revenues in FY20 with almost stagnant performance in FY21 (on a provisional basis), elongation of cash conversion cycle owing to stretched receivables and payables.

The ratings continue to be underpinned by the extensive experience of the promoter in the business of wire and cable manufacturing, a reasonable scale of operations, diversified customer base consisting of state electricity boards, EPC turnkey contractors and authorised retail sales channel partners in various states along with a healthy financial risk profile of the company.

The ratings are, however, constrained by, a significant dependence on government contracts, exposure to risks related to tender-based business, volatility in raw material prices, intense competition which limits the pricing power of company in the industry

Stable outlook has been assigned as the company has been able to register a reasonable revenue of Rs 175.13 Crs in FY21 (on a provisional basis) despite adverse business situations during first quarter of FY21 in the wake of Covid-19 pandemic, coupled with order book position of Rs 117.74cr providing near term revenue visibility. .

For assigning the rating, BWR has relied upon the last 3 years of audited financials till FY20, FY21 provisional financials and projections of FY22 and FY23, publicly available information and clarifications provided by management.



## Key Rating Drivers

### Credit Strengths:

- **Experienced management:** VMIL is promoted by Mr Vikas Garg, Chairman, who has more than 2 decades of experience in the field of electric cables and wire industry. He is responsible for overlooking the technical operations, strategy and marketing plans of the Company. The company also has an organized hierarchy with highly experienced professionals handling various facets of business.
- **Healthy order book position provides revenue visibility:** The company had a healthy order book size of Rs. 117.74 Crs as on 31-03-2021 which showcases revenue visibility in FY22. The orders comprises around 57% of book position being derived from state electricity boards, 16% of purchase orders from EPC turnkey contractors while 27% of the orders are from authorized sales channel partners of the company in various states.
- **Comfortable financial risk profile with a reasonable scale of operations:** VMIL's overall financial risk profile is comfortable as indicated by ISCR (interest service coverage ratio) of 2.22x ending FY 20, average DSCR (debt service coverage ratio) of 1.75x ending FY 20. The company's capital structure is comfortable as tangible net worth stood at Rs 35.30 Crs in FY 20 with a gearing of 1.27x. The total operating income in FY21 (on a provisional basis) stood at Rs. 175.13 Crs .
- **Proposed capex:** The company through its IPO in April, 2021 has raised around Rs. 24.00 crs from public and Rs. 3.00 Crs through private placement ; which is proposed to be utilised for capacity enhancement in FY22. The company currently manufactures wires of capacity upto 33KV , which they are planning to enhance to 66KV , which will result in additional capacity addition of around 11,500 Kms by the beginning of FY23. The proposed expansion will require a capex of around Rs. 40.00 Crs , of which around Rs. 24.00 Crs will be infused through the amount raised via IPO in April,2021 and the remaining through term loans and personal resources of the promoters.

### Credit Risks :

- **Declined revenue in FY20:** The total operating income in FY20 stood at Rs. 171.21 Crs with a decline of around 16% compared to the preceding year due to declined aluminum prices in FY20 besides adverse effect of outbreak of Covid-19 induced lockdown resulted in deferment of Q4FY20 turnover to FY21. The turnover however very nominally improved to Rs.175.13 Crs in FY21 on a provisional basis. However, with adequate installed capacity along with a robust order book position currently in hand, the company is expected to achieve a growth of 10% to 15% in FY22.
- **Stretched receivables and payable period:** Receivables period has elongated from 46 days in FY19 to 96 days in FY20 and payable period stretched from 22 days in FY19 to



70 days in FY20 due to disruption in the supply chain at the end of March, 2020 owing to Covid 19 induced lockdown. BWR will monitor the working capital cycle for the company and its impact on liquidity.

- **Susceptibility to fluctuations in prices of raw materials and dependence of government contracts** : Company raw material costs around more than 85% of the operating cost and any adverse change in the prices of raw materials, primarily copper and aluminium, could affect the profit margins of the company. Turnover from SEBs and power discoms constitutes more than one third of the turnover and due to the tender based nature of business, there is a risk of delays in payments and orders from the government entities.
- **Intense competition and customer concentration risk** : Industry is characterized by severe competition from players in the unorganized as well as organized sectors which limits the pricing power of companies in the industry . Furthermore, the company is also subjected to concentration risk with more than 37% of revenues being derived from a single customer in FY21.

#### **Analytical Approach - Standalone**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

#### **RATING SENSITIVITIES**

**Upward:** BWR may revise the ratings upward, in case of sustained improvement in total operating income with significant improvement in liquidity position along with sustenance of adequate debt coverage indicators.

**Downward:** BWR may revise the rating downward, in case of significant reduction in the operating income, further deterioration in liquidity position of the company, decline in debt protection metrics (ISCR below 2x) and fall in operating profitability margins.

**Liquidity Analysis (Stretched) :-** In FY21 (on a provisional basis), the company generated Rs. 7.95 crs of internal cash accruals with a repayment obligation of Rs.1.34 crs. In FY22, the company is estimated to generate an internal cash accrual of Rs.11.29 Crs against a repayment obligation of Rs.3.19 Crs during the year. So, the company can easily honour its debt repayment obligations.

However, the average total fund based and non fund based limit utilization for the last 12 months consistently stood at around 100% of the sanctioned limit, leaving no room for meeting additional liquidity requirements.

**About the Company :-** V-Marc India Limited was founded in 1996 as a manufacturing and marketing firm dealing in electrical wires & cables for modern needs with the brand name “V-Marc”. The company recently got listed on (national stock exchange) NSE on 09 Apr,2021. The company manufactures various types of industrial quality Wires & Cables such as PVC Single & Multicore Copper/Aluminum Cables, XLPE/PVC insulated Flat Cables, Co-axial



Cables, Rubber Cables, LAN Cables, LT Power/Control Cable, HT Cables, Specialty Cables. Company is doing all the activities under “V-MARC” Brand name. The company has two manufacturing units located in Haridwar, Uttarakhand. The entity is catering needs for state power utilities, turnkey contractors and private distributors. Majority of revenue comes from Turnkey contractors which are order-backed. The company's products have been approved by PSUs, SEBs (State Electricity Boards) and large corporate houses.

### Key Financial Indicators

Key Parameters	Units	2019	2020
Result Type		Audited	Audited
Total Operating Revenue	Rs in Crs	<b>204.95</b>	<b>171.21</b>
EBITDA	Rs in Crs	<b>13.14</b>	<b>13.58</b>
PAT	Rs in Crs	<b>4.86</b>	<b>4.92</b>
Tangible Net worth	Rs in Crs	<b>30.38</b>	<b>35.30</b>
Total Debt/Tangible Net worth	Times	<b>1.22</b>	<b>1.27</b>
Current Ratio	Times	<b>1.32</b>	<b>1.18</b>

### Rating History for the last three years (including suspended / withdrawn ratings)

S. No	Instrument /Facility	Current Rating (May, 2021)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Feb, 2020	Mar, 2019	Mar, 2018
1)	<b>Fund Based</b>	Long Term	43.86	<b>BWR BBB- Stable</b> [Downgrade]	<b>BWR BBB Stable</b> [Upgrade]	<b>BWR BBB- Stable</b> [Reaffirmation]	<b>BWR BBB- Stable</b> [Reaffirmation]
2)	<b>Non-Fund Based</b>	Short Term	23.00	<b>BWR A3</b> [Downgrade]	<b>BWR A3+</b> [Upgrade]	<b>BWR A3</b> [Reaffirmation]	<b>BWR A3</b> [Reaffirmation]
	<b>Total</b>		<b>67.85</b>	<b>INR Sixty seven crores and eighty five lacs only</b>			

Status of non-cooperation with previous CRA (if applicable)- NA

**COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple**

**BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).**

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

**For any other criteria obtain hyperlinks from website**

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**V-Marc India Limited**

**Annexure-I**

Facilities	Long Term (₹ Crores)	Short Term (₹ Crores)	Total (₹ Crores)
Cash Credit Facility	35.50	-	35.50
Covid emergency credit line	7.99	-	7.99
Letter of Credit and Bank Guarantee	-	23.00	23.00
Term Loan	2.17	-	1.36
<b>Total</b>	<b>67.85</b>	<b>-</b>	<b>67.85</b>



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