



RATING RATIONALE

13 Jan 2020

V.G. Electronics

Brickwork Ratings Revises the ratings for the Long Term Bank Loan Facilities of ₹. 4.67 Crores and Reaffirms the ratings for the Short Term Bank Loan facilities of ₹.1.50 Crores of V.G. Electronics

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (July, 2019)	Present (Dec, 2019)
Fund Based Term Loan Cash Credit	1.80	1.67	Long Term	BWR B/Stable	BWR B+/Stable (Upgraded)
	3.00	3.00			
Non Fund Based ILC/FLC	1.50	1.50	Short Term	BWR A4	BWR A4 (Reaffirmed)
Total	6.30	6.17	INR Six Crores and Seventeen Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/ is provided in Annexure-I&II

^Note: The firm is also availing two more term loans from financial institutions sanctioned for Rs.0.85 Crs. and Rs.0.15 Crs. which are not currently not being rated by BWR.

RATING ACTION / OUTLOOK

BWR has upgraded the rating to 'BWR B+/Stable' for the Long Term Bank loan facilities and Reaffirmed the Short Term Ratings of 'BWR A4' for the Short Term Bank Loan facilities of V.G. Electronics.

The rating derives strength from the growing scale of business operations supported by the strong demand prospects of the LED Lighting industry in the Indian Market. However, the rating is constrained by the limited track record of business operations, customer concentration risk faced by the firm and high volatility in the prices of raw materials coupled with the high degree of competition in the industry.

BWR believes that the business risk profile of V.G. Electronics will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium



term. The rating has been assigned a 'Stable' Outlook considering growing demand prospects for the LED lighting industry in the Indian Market. Going forward, the outlook may be revised to 'Positive' in case the revenues and profitability of the firm show a sustained improvement and the firm is able to diversify its customer base. The rating outlook may be revised to 'Negative' if there is a deterioration in the financial risk profile of the firm and if there is any withdrawal of capital.

KEY RATING DRIVERS

Credit Strengths:

- **Growing scale of business operations and improvement in financial risk profile:** The Total Operating Income of the firm grew rapidly from Rs. 7.52 Crs. in FY 18 to Rs.32.53 Crs in FY 19 as the operations of the firm stabilised with an increase in capacity and enhanced capacity utilisation. The adjusted gearing of the firm is improved to 1.90 times in FY19. The coverage ratios remain healthy with ISCR of 5.59 times and DSCR of 2.23 times for FY 19.
- **Strong demand prospects for the LED lighting industry in the Indian Market:** The growing demand prospects for the LED bulbs in the Indian market favour the growth of the firm. The government's support through various regulations that promotes the investments in energy efficient lighting technologies have expanded the applications of LED lights across various industrial, commercial and residential sectors.

Credit Risks:

- **Limited track record of business operations and experience of the management in this line of business:** The firm has a limited track record of about four years and the management is relatively new to this line of business. Thus, there is a need to establish strong relationships with the customers and the suppliers.
- **Customer concentration risk:** In FY 19, the firm has derived almost 78.00 percent of its revenues from its top two customers, thus exposing the firm to a high degree of customer concentration risk.
- **High volatility in the prices of raw materials coupled with high degree of competition in the industry:** The industry is marked by high volatility in the prices of



copper, aluminium and plastic plates which is further accompanied with a high degree of competition in the industry. This restricts the profit margins of the firm.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Going forward, the firm's ability to improve its revenues, profit margin ,diversify its customer base along with maintaining its financial risk profile shall be key rating sensitivities.

Positive: The rating may be upgraded in the future if there is a sustained improvement in the revenue, profit margins of the firm, diversification of its customer base.

Negative: The rating may be downgraded if there is a deterioration in the financial risk profile of the firm driven by the addition of debt and there is no improvement in the customer customer concentration risk faced by the firm.

LIQUIDITY POSITION:STRETCHED

- The firm had Cash and cash equivalents of Rs.0.29 Cr. as on March 31, 2019.
- The long term borrowings from banks and financial institutions as on March 31, 2019 were Rs.1.98 Crs. and the current maturity of long term debt maturing in FY 20 was Rs.0.61 Crs. as on March 31, 2019.
- Current ratio of the firm was moderate at 1.21 times as on March 31, 2019.
- Average utilisation of the CC Limit during the last 6 months was about 22.52 percent,
- Coverage ratios are strong with ISCR at 5.59 times and DSCR at 2.23 times for FY19.
- Conversion cycle of the firm is very low at 4 days for FY 19.
- The firm does not have any associate or group concerns.

COMPANY PROFILE

V.G. Electronics is a Partnership firm which was promoted and established by Mr Vikas Gupta and Mr. Gaurav Goel in 2015. The firm is engaged in manufacturing of plastic components such as plastic housings used in LED bulbs Its manufacturing unit is located at Haridwar while the



registered office of the firm is located at A-77, 1st Floor Sec-2, Noida in Uttar Pradesh. The firm supplies its products to LED bulbs OEM Manufacturers such as Syska Lightings, Surya Roshni Limited, Goel Lightings, Crompton & Greaves in Uttarakhand, Uttar Pradesh and Delhi. Both the partners; Mr. Vikas Gupta and Mr. Gaurav Goel play an active role in managing the business operations of the firm.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Operating Revenue	₹ Cr	32.53	7.52
EBITDA	₹ Cr	2.06	0.76
PAT	₹ Cr	1.02	0.07
Tangible Net Worth	₹ Cr	1.78	0.84
Total Debt/Tangible Net Worth	Times	6.39	5.66
Total Debt/Tangible Net Worth Analyzed	Times	1.90	1.52
Current Ratio	Times	1.21	0.58

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: N.A.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NIL

RATING HISTORY

Instrument / Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2019	2018	2017
FUND BASED Cash Credit Term Loan	Long Term	3.00 1.67	BWR B+/Stable (Upgraded)	BWR B/Stable	-	-
Non Fund Based ILC/FLC	Short Term	1.50	BWR A4 (Reaffirmed)	BWR A4	-	-
Total		6.17	INR Six Crores and Seventeen Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

<u>Analytical Contacts</u>	<u>Investor and Media Relations</u>
<p>Jatin Gupta Primary Analyst Board: +91 172 5032 295 / 6 Ext:104 jatin.g@brickworkratings.com</p> <p>V K Kukreja Associate Director - Ratings Board :+91 11 2341 2232 kukreja.vk@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

V.G. Electronics

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1.	Punjab National Bank	Cash Credit	3.00	-	3.00
		Term Loan	1.67	-	1.67
		ILC/FLC	-	1.50	1.50
TOTAL (INR Six Crores and Seventeen Lakhs Only)					6.17

Total Rupees Six Crores and Seventeen Lakhs only.



For print and digital media

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DISCLAIMER

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