August 30, 2024

Victora Industries Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term – fund-based – Cash credit*	75.00	125.00	[ICRA]BBB (Stable)/[ICRA]A3+; reaffirmed
Long-term – Fund based – Cash credit	25.00	-	-
Long-term – Fund based – Term Loans	153.00	138.10	[ICRA]BBB (Stable); reaffirmed
Short-term – Non-fund based	5.00	11.00	[ICRA]A3+; reaffirmed
Long-term – unallocated	27.00	10.90	[ICRA]BBB (Stable); reaffirmed
Total	**285.00**	**285.00**	

**Instrument details are provided in Annexure-I, *cash credit includes working capital demand loan (WCDL) as sub-limit*

Rationale

The ratings reaffirmation on the bank lines of Victora Industries Private Limited (VIPL) considers the expected increase in its revenues and earnings in the near to medium term, supported by favourable demand and strong business profile while improving its debt protection metrics. The ratings remain supported by the experience of promoters in the auto ancillary industry and VIPL's established position as a sheet metal component supplier to reputed original equipment manufacturers (OEMs) and their vendors in the domestic and export markets. VIPL's business profile is healthy and is characterised by an established customer profile, which includes Maruti Suzuki India Limited (MSIL), JCB India Limited (JCB), and reputed vendors like FCC Rico (Honda Group), Hero Group and Caparo Maruti, along with its in-house tool manufacturing capabilities. ICRA expects VIPL's business profile to improve with the addition of new OEM customers with a better product mix in the near to medium term.

The ratings are, however, constrained by VIPL's moderate financial profile and return indicators due to its recent large debt-funded capital expenditure (capex), which impacted the debt protection metrics in FY2024, and is expected to remain range-bound in FY2025 as well. VIPL has preponed and incurred higher than earlier estimated debt-funded capex incurred towards establishing two manufacturing units in Sanand, Gujarat and Pune, Maharashtra, resulting in weaker-than-expected leverage metrics. One of the plants catering to TML has been operational since February 2024, while the other one catering to M&M will be starting commercial production from August 2024. Debt will be fully availed in FY2025 for this capex. However, debt coverage numbers are expected to improve from FY2026, upon ramp-up of operations. VIPL's ability to successfully ramp-up business with TML and M&M and generate adequate returns will be a critical monitorable. The ratings also consider the susceptibility of earnings to the inherent volatility in automotive demand and movement in raw material prices.

The Stable outlook on VIPL's rating reflects ICRA's opinion that the company's credit profile will remain supported by stable demand for PVs and 2Ws, and further complemented by the new customer additions in the PV space.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters; established track record in auto ancillary industry – The promoters have been involved in the auto ancillary business for more than five decades. The Banga family had established VIPL in 1972 as a proprietorship business. Mr. Satbir Singh Banga, the third generation of the family, looks after the day-to-day operations of the company, supported by a qualified management team. VIPL's established track record in the auto ancillary industry along with its strong operational profile, lend healthy revenue visibility.

Established relationships with reputed customers in the automobile industry – VIPL manufactures sheet metal components for various domestic and overseas customers in the automobile industry. VIPL's clientele includes reputed players from the PV, two wheelers (2Ws), tractor, agriculture equipment and construction equipment industries. Its major customers are MSIL and its various Group companies, JCB India, Plastic Omnium Auto Energy, Adient India Private Limited, International Tractors Limited (Sonalika), Rane NSK, etc. The additions like TML and M&M to the client base strengthen its business profile. The company has been deriving 60-70% of its revenues from the PV industry, 10-15% from 2Ws and the balance from tractors and construction equipment.

Satisfactory revenue growth and expansion of client portfolio – VIPL has reported steady revenue growth of ~9% p.a.in FY2023 and FY2024, led by healthy demand in the domestic PV industry. Going forward, VIPL's growth momentum is likely to continue aided by healthy demand from the automobile industry. The addition of two new customers (TML and M&M) would support revenue expansion and ease the client concentration risk to an extent. The company is expected to earn higher profit margins from TML and M&M on account of the criticality of the components and the early associations with them for their Sanand and Pune manufacturing plants.

Credit challenges

Large debt-funded capex led to moderation in financial and return metrics in near term; expected to improve gradually – VIPL has undertaken large debt-funded capex of ~Rs. 170 crore in FY2024 and ~Rs. 60 crore is expected in FY2025 mainly for the manufacturing units for TML and M&M, in line with the requirement from the OEMs. Moreover, to keep its existing manufacturing updated, the company has been spending ~Rs. 20-25 crore annually towards its upkeep. VIPL's debt protection metrics and return indicators deteriorated in FY2024 due to debt related to the capex and will remain at moderate levels in the near term. Going forward, the DSCR and coverage metrics are expected to improve gradually on account of increasing revenue and operating profits from the new capex and no major incremental debt-funded capex under purview.

High client concentration risk – VIPL's revenue was mainly contributed by MSIL until FY2024. Its top five customers drove 40-50% of its total revenues. However, the risk is mitigated to an extent by MSIL's leading position in the PV industry and VIPL's long-term associations with its clients along with the addition of TML and M&M in the current fiscal.

Intensely competitive industry limits pricing power – The auto ancillary industry is intensely competitive due to the presence of various organised and unorganised players. This limits the pricing power of industry players and keeps profitability under check.

Liquidity position: Adequate

VIPL's liquidity position is **adequate**, supported by expected steady cash generation of Rs. 50-60 crore from business and buffer of Rs. 25-30 crore on an average in its working capital limit. The company has repayments of ~Rs. 47 crore in FY2025 and ~Rs. 56 crore in FY2026, which are expected to be covered by cash accruals as well as buffer in fund-based limits. It has also planned capex of Rs. 50-60 crore in FY2025, for which the debt is already tied-up. The promoters are also expected to provide funding support, as and when needed, as witnessed in the past.

Rating sensitivities

Positive factors – ICRA could upgrade VIPL's ratings, if there is a sustained improvement in debt coverage metrics and liquidity position. A specific credit metric for an upgrade is if DSCR is more than 1.8 times, on a sustained basis.

Negative factors – A negative rating action could be triggered with significant deterioration in revenues and profitability or working capital cycle, which weakens its financial and/or liquidity profile on a sustained basis. A specific credit metric for a downgrade is if external debt (total debt-less promoter debt)/OPBDITA is higher than 3.0 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Rating Methodology for Auto Components](#)
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on standalone financial profile of VIPL. Previously, the ratings were based on consolidated financial profiles of VIPL and its 51% subsidiary Victora Hospitalities Private Limited (VHPL). In FY2024, VIPL sold its stake in VHPL.

About the company

VIPL (formerly known as Victora Tool Engineers Private Limited) was initially incorporated in 1972 by the Banga family as a proprietorship business. VIPL, currently headquartered in Faridabad, Haryana, manufactures automotive components (sheet metal components) and supplies them to its OEM clients in the PV, 2W, tractor, agricultural equipment and construction equipment segments. Additionally, VIPL caters to all categories in the PV segment, and has set up two new manufacturing units in Sanand (Gujarat) and Pune (Maharashtra). The Sanand manufacturing unit became operational in February 2024 and the Pune plant to become operational in August 2024.

Key financial indicators (audited/ provisional)

VIPL standalone	FY2022	FY2023	FY2024*
Operating income	781.2	847.7	927.6
PAT	15.7	8.6	11.3
OPBDIT/OI	8.4%	8.1%	8.2%
PAT/OI	2.0%	1.0%	1.2%
Total outside liabilities/Tangible net worth (times)	2.0x	2.0x	3.0x
Total debt/OPBDIT (times)	3.5x	3.5x	4.7x
External debt/OPBDIT (times)**	3.0x	3.4x	4.7x
Interest coverage (times)	3.2x	3.3x	4.1x

*Source: Company, *provisional financials submitted by company, **total debt less promoter debt*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore
Note: All financial ratios as per ICRA's calculation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	FY2025		FY2024		FY2022		FY2021	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit*	Long-term/ Short-term	125.00	30-Aug-2024	[ICRA]BBB (Stable)/ [ICRA]A3+	30-May-2023	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-	-
Term Loans	Long Term	138.10	30-Aug-2024	[ICRA]BBB (Stable)	30-May-2023	[ICRA]BBB (Stable)	30-Nov-2021	[ICRA]BB+ (Stable) Withdrawn	31-Dec-2020	[ICRA]BB+ (Stable)
			-	-	-	-	22-Jul-2021	[ICRA]BB+ (Stable)	07-Apr-2020	[ICRA]BBB- (Negative)
LC/ BG**	Short Term	11.00	30-Aug-2024	[ICRA]A3+	30-May-2023	[ICRA]A3+	-	-	-	-
Unallocated	Long Term	10.90	30-Aug-2024	[ICRA]BBB (Stable)	30-May-2023	[ICRA]BBB (Stable)	-	-	-	-
Cash Credit	Long Term	-	-	-	30-May-2023	[ICRA]BBB (Stable)	30-Nov-2021	[ICRA]BB+ (Stable) Withdrawn	31-Dec-2020	[ICRA]BB+ (Stable)
			-	-	-	-	22-Jul-2021	[ICRA]BB+ (Stable)	07-Apr-2020	[ICRA]BBB- (Negative)
Unallocated	Long Term/ Short Term	-	-	-	-	-	30-Nov-2021	[ICRA]BB+ (Stable)/ [ICRA]A4+ Withdrawn	31-Dec-2020	[ICRA]BB+ (Stable)/ [ICRA]A4+
			-	-	-	-	22-Jul-2021	[ICRA]BB+ (Stable)/ [ICRA]A4+	07-Apr-2020	[ICRA]BBB- (Negative)/ [ICRA]A3
Issuer Rating	Long Term	-	-	-	-	-	-	-	19-May-2020	[ICRA]BBB- (Negative) Withdrawn
			-	-	-	-	-	-	07-Apr-2020	[ICRA]BBB- (Negative)#

*Source: Company, # Notice of withdrawal for 1 month, *WCDL is the sub-limit, **Letter of credit/bank guarantee*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term – fund-based – Cash Credit	Simple
Long-term – Fund Based – Term Loans	Simple
Short-term – Non-fund Based	Very simple
Long-term – Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash Credit**	NA	NA	NA	125.00	[ICRA]BBB (Stable)/ [ICRA]A3+
NA	**Term Loans**	April 2019	NA	March 2031	138.10	[ICRA]BBB (Stable)
NA	**LC/ BG**	NA	NA	NA	11.00	[ICRA]A3+
NA	**Unallocated**	NA	NA	NA	10.90	[ICRA]BBB (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Shamsher Dewan
91 124 4545 328
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44 4596 4318
ksrikumar@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Uday Kumar
+91 124 4545 867
uday.kumar@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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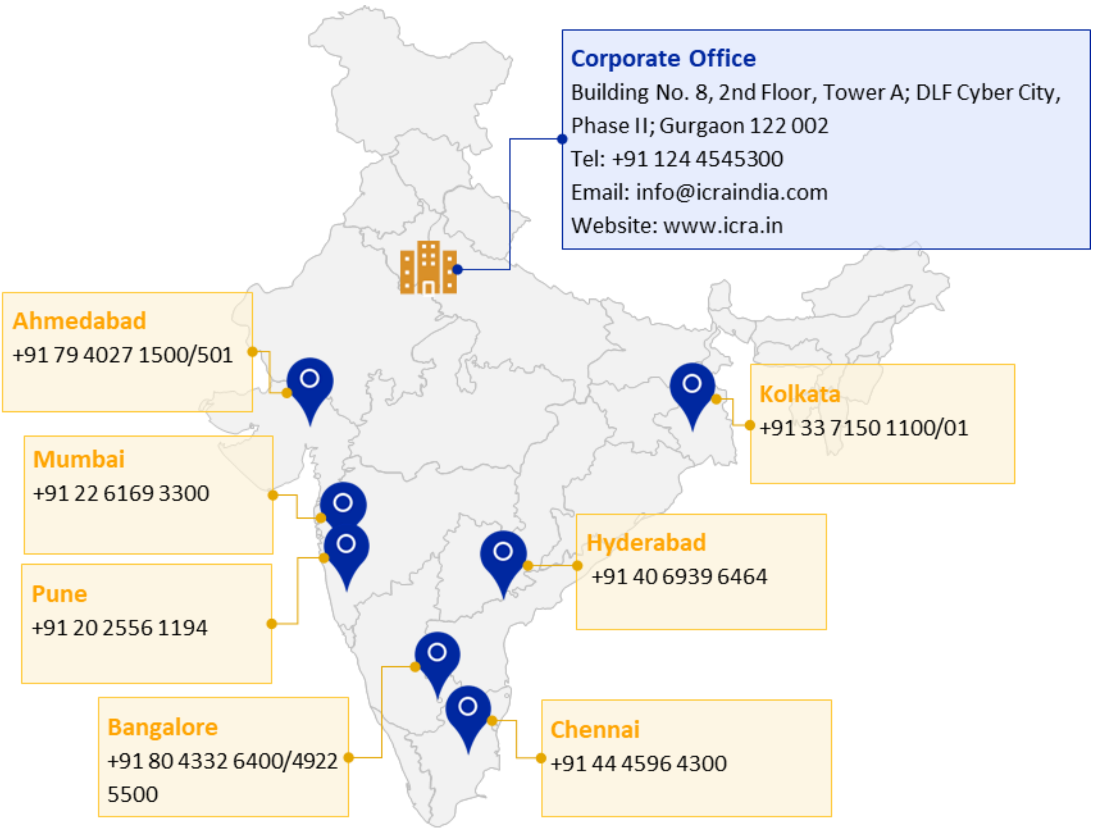
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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