

July 21, 2020

V-Access India Pvt. Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	0.00	0.00	[ICRA]BBB- (Stable); reaffirmed
Total	0.00	0.00	

*Instrument details are provided in Annexure-1

Rationale

The reaffirmed rating continues to draw comfort from V-Access India Private Limited's (VAIPL) healthy debt coverage indicators and robust capital structure with minimal long-term borrowings. This apart, the rating is strengthened by the company's long and established track record in the auto ancillary industry and established track record with major OEMs in the auto ancillary industry over time. Further, VAIPL is a wholly-owned subsidiary of Vadain International B.V. (VIBV), a Dutch group. The company can draw from the technical know-how of its parent. Over the years, VIBV has also provided support in terms of extended credit period for raw material or interest-bearing unsecured loans.

However, the rating is constrained by the modest scale of operations of VAIPL. Despite its scale showing healthy growth in the recent fiscals, it remains modest as characterised by its tangible net worth of Rs. 34.9 crore as on March 31, 2020. Going forward, the company's scale and profitability are likely to be impacted in the near to medium term owing to the weakness in the automobile industry and the Covid-19 pandemic. However, ICRA notes that the revenue contributed by its home textiles division has been growing at a healthy pace, albeit having a low base. The ratings are also constrained by the fluctuating profitability metrics of VAIPL. In FY2020, its operating profit margin declined because of increasing employee expenses. Its contracts have a fixed price nature, which makes profitability vulnerable to adverse movement of raw material prices. However, the company has the flexibility to renegotiate contracts with OEMs on a semi-annual basis in certain cases. The ratings are further constrained by the company's exposure to risks associated with fluctuations in the exchange rate. However, the risk is partially mitigated as the majority of the company's exports and imports are primarily to its parent company, thereby providing flexibility with regard to its foreign currency payments.

ICRA believes that VAIPL will continue to benefit from its long track record of operations and healthy relations with major OEMs.

Key rating drivers and their description

Credit strengths

Conservative capital structure; comfortable coverage indicators – VAIPL's healthy capital structure is characterised by its gearing at 0.0 times as on March 31, 2020. The company had limited long-term debt on its books as on the same date. Further, it has healthy debt coverage indicators with interest coverage and DSCR ratio standing at 35.8 times and 15.3 times, respectively as on March 31, 2020.

Long and established track record in industry – Since its incorporation in 1996, VAIPL has established itself in the auto ancillary industry. The company has a healthy track record in the industry as characterised by its long relationships with major OEMs in the automobile industry. VAIPL receives repeat orders from its major customers like Maruti Suzuki India

Limited and Ford India Private Limited, among other OEMs. ICRA expects VA IPL to continue to benefit from these working relationships.

Access to technical know-how of parent company - VA IPL is a wholly-owned subsidiary of VIBV, a Dutch company involved in the home furnishing industry, with business operations in several countries. VA IPL has benefitted from the technical know-how of its parent and has also received support in terms of extended credit period or interest-bearing unsecured loans in the past.

Credit challenges

Weakness in automobile industry and Covid-19 may impact scale and profitability – Despite healthy growth in its scale in the recent fiscals, the company’s scale remains modest as characterised by its tangible net worth of Rs. 34.9 crore as on March 31, 2020. Further, competition from larger and entrenched players may constrain its pricing flexibility. Going forward, the company’s scale and profitability is likely to be impacted in the near to medium term owing to the weakness in the automobile industry and the Covid-19 pandemic. However, ICRA notes that the revenue contributed by its home textiles division has been growing at a healthy pace, albeit having a low base.

Fluctuating profitability margins over previous fiscal years – VA IPL’s profitability metrics have fluctuated in the previous fiscals. Its operating profit margin declined to 8.0% in FY2020 from 11.3% in FY2019 due to an increase in its employee expenses. VA IPL enters annual contracts with consumers of its auto ancillary division. With the selling price remaining fixed for the year, the company remains exposed to fluctuations in prices of raw materials. However, ICRA notes that the company can renegotiate terms of the contracts semi-annually in certain cases.

Liquidity position: Adequate

VA IPL’s liquidity is **adequate**. The company has cash and bank balances of approximately Rs. 3.00 crore as on March 31, 2020 and also is to be disbursed CC limits of Rs. 1.38 crore within July 2020, which shall aid its liquidity. Further, its repayments going forward are modest.

Rating sensitivities

Positive triggers – ICRA could upgrade VA IPL’s ratings if there is significant improvement in its scale and improvement in profitability metrics on a sustainable basis.

Negative triggers – ICRA could downgrade VA IPL’s ratings if there is sustained decline in the company’s scale and profitability metrics. The ratings could also be downgraded if ROCE falls below 12% on a sustained basis. Further, increase in its working capital intensity impacting its liquidity could result in downward pressure on its ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

About the company

VA IPL is involved in developing and manufacturing car accessories such as car mats, car sun blinds and car and bike covers. Established in 1996, VA IPL is a 100% subsidiary of the Venture Group of the Netherlands. The company has recently installed machinery and its production process has enabled it to expand its product and services range. VA IPL has now forayed into manufacturing of car and bike covers as well as introduced a division to manufacture high quality

sun blinds for cars. The company also earns revenues through its home furnishing division, sales for which are limited to exports only.

In FY2020, the company on a provisional basis reported a net profit of Rs. 3.7 crore on an operating income (OI) of Rs. 82.5 crore compared with a net profit of Rs. 5.9 crore on an OI of Rs. 77.8 crore in the previous year.

Key financial indicators (audited/provisional)

	FY2019	FY2020
Operating Income (Rs. crore)	77.8	82.5
PAT (Rs. crore)	5.9	3.7
OPBDIT/OI (%)	11.3%	8.0%
PAT/OI (%)	7.5%	4.5%
Total Outside Liabilities/Tangible Net Worth (times)	0.4	0.3
Total Debt/OPBDIT (times)	0.1	0.0
Interest Coverage (times)	79.9	35.8

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)			Rating History for the Past 3 Years			
		Type	Amount Rated	Amount Outstanding	Rating	FY2020	FY2019	FY2018
					21-July-2020	-	14-Dec-2018	-
1	Issuer Rating	Long Term	0.00	0.00	[ICRA]BBB- (Stable)	-	[ICRA]BBB- (Stable)	-

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer Rating	NA	NA	NA	0.00	[ICRA]BBB- (Stable)

Source: VA IPL

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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