V-Marc India Limited

December 19, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	163.07 (including proposed limit of Rs. 0.86 crore)	IVR BBB+/ Stable (IVR triple B plus with Stable outlook)	IVR BBB Rating Watch with Developing Implications (IVR triple B; placed under Rating Watch with Developing Implications)	Rating upgraded; removed from Rating Watch with Developing Implications; Stable outlook assigned	**Simple**
Short Term Bank Facilities	68.00	IVR A2 (IVR A two)	IVR A3+ Rating Watch with Developing Implications (IVR A three plus; placed under Rating Watch with Developing Implications)	Rating upgraded; removed from Rating Watch with Developing Implications	**Simple**
Total	**231.07 (INR two hundred thirty-one crore and seven lakhs only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3

Detailed Rationale

The upgrade in the ratings assigned to the bank facilities of V-Marc India Limited (VMIL) considers significant improvement in the financial performance of the company during FY2024 (refers to period April 1st, 2023, to Mar 31, 2024) and H1 FY2025 (refers to period April 1st, 2024, to Sep 30, 2024). Moreover, the company has also raised equity to the tune of Rs. 46.83 crore in October 2024 for meeting working capital requirements. Further, the ratings continue to derive strength from its long track record of operations under experienced promoters, 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.

The ratings have been removed from rating watch with developing implications and 'Stable' outlook has been assigned on the long-term rating on account of the stay order given by Securities Appellate Tribunal (SAT), Mumbai on the SEBI's interim order in September 2024. Furthermore, SEBI's interim order did not have any adverse impact on operation and financial performance of the company.

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 and interest coverage.
- 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 during FY2024 and H1 FY2025

The total operating income increased with a CAGR of ~76% from Rs. 181.32 crore FY22 (refers to period April 1st, 2022, to Mar 31, 2022) to Rs. 564.75 crore in FY24 and grew by y-o-y growth of 126% from Rs. 249.41 crore in FY23 (refers to period April 1st, 2022, to Mar 31, 2023). The company's revenue stood at Rs. 345.21 crore during the H1 FY25 vis-à-vis Rs. 175.03 crore during the H1 FY24 (refers to period April 1st, 2023, to Sep 30, 2023), registering a growth of ~97% on a y-o-y basis. 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 including government contracts, EPC, and a diversified retail network. With the increase in the topline, EBIDTA and PAT increased to Rs. 65.78 crore and Rs. 26.85 crore in FY24 respectively from Rs. 26.91 crore and Rs. 10.45 crore in FY23 respectively. Further, the EBDITA and PAT, improved to Rs. 34.38 crore and 11.37 crore during H1 FY25 from Rs. 17.31 crore and 5.50 crore during H1 FY24 respectively.

Comfortable capital structure with improvement in debt protection metrics

The capital structure of the company had remained comfortable over the past three fiscal years with its satisfactory net worth base of Rs.106.44 crore supported by accretion of profits as on March 31, 2024. Total debt level of the company elevated in FY24 due to term loans availed to fund its capacity expansion capex coupled with rise in working capital borrowings to support its increased scale of operations leading to increase in total debt to Rs.140.50 crore as on March 31, 2024, from Rs.75.67 crore as on March 31, 2023. The overall gearing stood at 1.32x as on March 31, 2024, and moderated from 0.95x as on March 31, 2023. Long Term debt to equity marginal moderated to 0.59x as on March 31, 2024, from 0.34x as on March 31, 2023, due to the addition of term loan. The total indebtedness of the company marked by TOL/TNW has also marginally moderated to 3.27x as on March 31, 2024, from 2.10x as on March 31, 2023. Debt protection metrics of the company remained comfortable with improvement in the interest coverage ratio 3.02x in FY24 from 2.41x in FY23 led by increase in operating profit. Total debt to EBIDTA also improved to 2.14x in FY24 from 2.81x in FY23. DSCR also remains comfortable at 2.14x in FY24 as against 1.60x in FY23.

The company issued 16,35,000 fresh equity shares to raise capital to the tune of Rs. 46.83 crore through QIP on October 8, 2024, for meeting increase in the working capital requirements and business growth. Going forward, the capital structure is expected to improve as supported by fresh infusion of funds.

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

Mr. Vikas Garg has more than two decades of experience in the business of wires & cables. He started the business as partnership and gradually converted into listed company. Mrs. Meenakshi Garg also has experience of more than a decade in the business of wires and cables. 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 across India with 950 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 October 31, 2024, stood at Rs. 364.19 crore which is to be executed in next one year indicating a healthy revenue visibility. The total work order includes 41% from government companies, 40% from EPC turnkey contractor and rest 19% 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.

Elongated Operating Cycle

The receivable cycle of VIML improved to 65 days in FY24 from 90 days in FY23 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 48 days in FY24 from 105 days in FY23. However, the operating cycle is managed by stretching the creditors. The average creditors period decreased to 93 days in FY24 from 111 days in F23.

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 10-11% 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 of assigning rating outlook

Complexity Level of Rated Instruments/Facilities

Default recognition policy

Liquidity – Adequate

The liquidity position of VIML remain adequate characterized by expected sufficient cushion in cash accruals of Rs. 53.31 crore to Rs. 76.84 crore in FY25 to FY27 respectively vis-à-vis its repayment obligations of about Rs. 11.00 crore to Rs. 14.00 crore in FY25 to FY27. The current ratio also remained comfortable at 1.15x as on March 31, 2024. The fund based limit remain utilized at ~88% during the past 12 months ended June 2024 indicating an 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 "VMarc". 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.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024	H1FY2024	H1FY2025
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	249.41	564.75	175.03	345.21
EBITDA	26.91	65.78	17.31	34.37
PAT	10.45	26.85	5.50	11.37
Total Debt	75.67	140.50	136.42	160.77
Tangible Net Worth	79.44	106.44	85.19	117.89
EBITDA Margin (%)	10.79	11.65	9.89	9.96
PAT Margin (%)	4.18	4.75	3.14	3.29
Overall Gearing Ratio (x)	0.95	1.32	1.60	1.36
Interest Coverage (x)	2.41	3.02	2.67	2.85

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Press Release

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)					Rating History for the past 3 years			
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating			Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Sept 16, 2024	Aug 07, 2024	March 11, 2024	August 1, 2023	May 30, 2022	-
1.	Cash Credit	Long Term	95.50	IVR BBB+/ Stable	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB/ Stable	IVR BBB-/ Positive	-
2.	Term Loan	Long Term	63.68	IVR BBB+/ Stable	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB/ Stable	IVR BBB-/ Positive	-
3.	WCTL (ECLGS)	Long Term	0.60	IVR BBB+/ Stable	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB/ Stable	-	-
4.	GECL	Long Term	2.43	IVR BBB+/ Stable	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB under Rating Watch with Developing Implications	IVR BBB/ Stable	-	-
5.	Bank Guarantee	Short Term	29.00	IVR A2	IVR A3+ under Rating Watch with Developing Implications	IVR A3+ under Rating Watch with Developing Implications	IVR A3+ under Rating Watch with Developing Implications	IVR A3+	IVR A3	-
6.	Letter of Credit	Short Term	39.00	IVR A2	IVR A3+ under Rating Watch with Developing Implications	IVR A3+ under Rating Watch with Developing Implications	IVR A3+ under Rating Watch with Developing Implications	IVR A3+	IVR A3	-
7	Proposed Cash Credit	Long Term	0.86	IVR BBB+/ Stable	IVR BBB under Rating Watch with Developing Implications	-	-	-	-	-
8.	Unallocated Limits	-	-	-	-	-	-	Withdrawn	IVR BBB-/	-

		Current Ratings (Year 2024-25)					Rating History for the past 3 years			
Sr. No.	Name of Instrument/ Facilities	Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating			Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
									Positive/ IVR A3	

Analytical Contacts:

Name: Sandeep Khaitan

Tel: (033)- 46022266

Email: Sandeep.khaitan@infomerics.com

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 and definition of ratings please visit www.infomerics.com.

information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan I	-	-	-	Sept 2026	4.97	IVR BBB+/ Stable
Term Loan II	-	-	-	Sept 2029	12.65	IVR BBB+/ Stable
Term Loan III	-	-	-	May 2031	27.49	IVR BBB+/ Stable
Term Loan IV	-	-	-	December 2030	18.57	IVR BBB+/ Stable
GECL 1.0	-	-	-	Nov 2024	0.59	IVR BBB+/ Stable
GECL 1.0 Ext	-	-	-	October 2026	1.84	IVR BBB+/ Stable
WCTL (ECLGS) I	-	-	-	January 2025	0.15	IVR BBB+/ Stable
WCTL (ECLGS) II	-	-	-	February 2027	0.45	IVR BBB+/ Stable
Cash Credit I	-	-	-	-	15.00	IVR BBB+/ Stable
Cash Credit II	-	-	-	-	45.50	IVR BBB+/ Stable
Cash Credit III	-	-	-	-	15.00	IVR BBB+/ Stable
Cash Credit IV	-	-	-	-	20.00	IVR BBB+/ Stable
Proposed Cash Credit	-	-	-	-	0.86	IVR BBB+/ Stable
Bank Guarantee I	-	-	-	-	5.00	IVR A2
Bank Guarantee II	-	-	-	-	19.00	IVR A2
Bank Guarantee III	-	-	-	-	5.00	IVR A2
Letter of Credit I	-	-	-	-	10.00	IVR A2

Letter of Credit II	-	-	-	-	19.00	IVR A2
Letter of Credit II	-	-	-	-	10.00	IVR A2

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-VMarc-dec24.pdf
Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.