

Rating Advisory March 03, 2020 | Mumbai

Vega Auto Accessories Private Limited

Advisory as on March 03, 2020

This rating advisory is provided in relation to the rating of Vega Auto Accessories Private Limited

The key rating sensitivity factors for the rating include:

- Scale of operations
- Sustenance of operating profitability
- Setting up of the new unit and the ramp up from its operations
- Capex duration and funding pattern
- Demand risk from the new unit

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Vega Auto Accessories Private Limited (VAAPL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If VAAPL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the Company

Incorporated in 1982 and promoted by Chindaks family, VAAPL manufactures helmets and accessories and sells through a network of non-exclusive dealers across India. The manufacturing facilities are based at Udyambag & Peeranwadi in Belgaum, Karnataka and Rudrapur, Uttarakhand with installed capacity for helmets of 23 lakh pieces pa and visors of 30 lakh pieces pa.

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Rating Rationale

December 31, 2018 | Mumbai

Vega Auto Accessories Private Limited

'CRISIL A-/Stable/CRISIL A2+' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.10 Crore
Long Term Rating	CRISIL A-/Stable (Assigned)
Short Term Rating	CRISIL A2+ (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its '**CRISIL A-/Stable/CRISIL A2+**' ratings on the bank facilities of Vega Auto Accessories Private Limited (Vega).

The rating reflects Vega's established market position with strong brand recall and wide distribution network; and comfortable financial risk profile. These strengths are partially offset by a moderate scale of operations and exposure to intense competition.

Key Rating Drivers & Detailed Description

Strengths:

Established marketing network:

Industry presence of over three decades has enabled the promoter to forge healthy relationship with two-wheeler majors and establish its Vega and Axor brand. Moreover, foray into the sports helmet segment and subsequent tie-up with new dealers will further strengthen marketing network and hence business risk profile over the medium term.

* Healthy financial risk profile:

Gearing was strong at 0.26 time and net worth large at Rs 68 crore, as on March 31, 2018. Also, interest coverage ratio was at robust level of 22 times for fiscal 2018. Going forward, despite capex of Rs 90 - 100 cr to be undertaken over the medium term, due to increasing net worth, gearing is expected to be comfortable below 0.2 time.

Weaknesses:

* Increasing yet, moderate scale of operations:

Despite revenue improving over the last three years from Rs 87 cr in FY 16 to Rs 104 cr in FY18 with improving margins, scale remains moderate. Ramp up of operations through increase in its capacities will remain a key monitorable over the medium term.

* Demand risk from new project:

Due to sizeable capex for capacity enhancement, the company would be exposed to demand risk for the increased production, however, the same is likely to be mitigated on the back of tie ups with companies and dealers.

Outlook: Stable

CRISIL believes Vega will continue to benefit over the medium term from its established brand. The outlook may be revised to 'Positive' in case of more than expected ramp up in operations, while maintaining operating profitability and liquidity; and if working capital management is prudent. The outlook may be revised to 'Negative' if financial risk profile, especially liquidity, weakens on account of decline in revenue or profitability, larger-than-expected, debt-funded capital expenditure, or sizeable dividend payouts or unrelated investments.

Liquidity: Ample

The company is expected to generate healthy cash accruals of Rs 40 - 55 cr in the medium term which are due to healthy accretion to reserves against debt repayments of Rs 1 - 2 cr. CRISIL expects there to be significant cushion of Rs cr in the accruals and repayments. The bank lines were utilized over the past 13 months ending August 2018 averaging at 29%. CRISIL expects internal accruals and unutilized bank lines to be sufficient to fund its expansion plans as well as incremental working capital requirements.

About the Company

Incorporated in 1982 and promoted by Chindaks family, VAAPL manufactures helmets and accessories and sells through a network of non-exclusive dealers across India. The manufacturing facilities are based at Udyambag & Peeranwadi in Belgaum, Karnataka and Rudrapur, Uttarakhand with installed capacity for helmets of 23 lakh pieces pa and visors of 30 lakh pieces pa.

Key Financial Indicators

As on / for the period ended March 31	Units	2018	2017
Operating income	Rs crore	189.91	145.56
Reported profit after tax	Rs crore	25.61	10.99
PAT margins	%	13.25	7.46
Adjusted Debt/Adjusted Net worth	Times	0.26	0.36
Interest coverage	Times	21.81	18.25

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity date	Issue Size (Rs Cr)	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	7	CRISIL A-/Stable
NA	Bank Guarantee	NA	NA	NA	3	CRISIL A2+

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/S T	7.00	CRISIL A-/Stable		--		--		--		--	--
Non Fund-based Bank Facilities	LT/S T	3.00	CRISIL A2+		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	3	CRISIL A2+	--	0	--
Cash Credit	7	CRISIL A-/Stable	--	0	--
Total	10	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

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