

## VIRTUE MARKETING PRIVATE LIMITED

September 29, 2017

## Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	15.00	CARE BB+;Stable (Double B Plus; Outlook - stable)	Reaffirmed
Short-term Bank Facilities	20.00	CARE A4+ (A Four Plus)	Reaffirmed
<b>Total facilities</b>	<b>35.00</b> <b>(Rupees Thirty Five crore only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale& Key Rating Drivers**

The ratings assigned to the bank facilities of Virtue Marketing Private Limited (VMPL) are constrained by limited track record of operations, low profitability margins due to trading nature of business and working capital intensive nature of operations. The ratings are, however, underpinned by the experienced and resourceful promoters, growth in the total operating income in FY17 (refers to the period April 01 to March 31), improvement in the financial risk profile, comfortable working capital cycle and established relationships with its clients. The ability of the company to expand the scale of operation with subsequent improvement in profitability and manage operating cycle efficiently are the key rating sensitivities.

**Detailed description of the key rating drivers****Key Rating Weaknesses****Limited track record of operations**

VMPL has commenced its operations from March 2013 and FY14 was its first year of operations, hence the company has just four years of track record of operations. However, the company derives comfort from the promoters experience in the cables and conductors industry for more than four decades by virtue of which they hold established relation with suppliers and customers.

**Low profitability margins on account of trading nature of business**

By virtue of operating in trading of aluminum and steel products the profitability margins of the company are thin. However, the PBILDT margin of the company has improved by 85 bps from 1.50% in FY16 to 2.35% in FY17 on account of better realizations. In line with increase in PBILDT margin, PAT margin of the company also grew by 69 bps from 0.35% in FY16 to 1.04% in FY17.

**Working capital intensive nature of business**

As the company operates in a working capital intensive industry, dependence on bank borrowings continue to remain high.

**Key Rating Strengths****Experienced and resourceful promoters having long and established track record**

The promoters of VMPL have an experience of more than four decades in the business of wires, cables and conductors. By virtue of which, the promoters have developed long standing relationship with various power generating, power distributing players in the industry. The promoters of the company have been resourceful and infusing funds as and when it was required.

**Growth in the operating income**

The total operating income of the company grew by around 10% to Rs. 327.67 crore in FY17 as against Rs. 298.46 crore in FY16 primarily on account of increased sales volume. In line with growth in sales, PBILDT and PAT level has also increased significantly in FY17 over FY16. The company reported PBILDT and PAT of Rs. 7.69 crore (Rs. 4.48 crore in FY16) and Rs. 3.39 crore in FY17 (Rs.1.05 crore in FY16) respectively.

**Improvement in financial risk profile**

The overall gearing of the firm has improved from 2.14x as on March 31, 2016 to 1.82x as on March 31, 2017 mainly on account of accretion of profits into the business. Further, stability in total debt along with improvement in the GCA levels of the company during the year has led to improvement in the total debt to GCA during FY17. The PBILDT interest coverage ratio improved in FY17 on account of significant improvement at PBILDT level.

**Comfortable working capital cycle**

In FY17, the average operating cycle of the company marginally declined in FY17. The company in order to increase in turnover and maintain the long term relations with the clients has extended its credit period on account of which the collection period has deteriorated in FY17. Further in order to efficiently utilize its working capital the company has improved its inventory turnover days in FY17.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

### Healthy relationship with key clients and suppliers

The promoters being in the industry for more than four decades has established relationship with major aluminium trading and manufacturing companies in and around Telangana. VMPL has strong relationship with few major clients like Sanjay Trips Private Limited, Jai Durga Corporation, Navneetha Steels Private Limited etc. The major suppliers are AMR India Limited, HST Steel Private Limited, SRR Projects Private Limited, Universal Iron Industry Private Limited etc.

**Analytical approach:** Standalone

**Applicable Criteria:**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short term Instruments](#)

[Rating Methodology-Wholesale Trading](#)

[Financial ratios – Non-Financial Sector](#)

### About the Company

Incorporated in 2013, Virtue Marketing Private Limited (VMPL) is promoted by Mr. Ramesh Jain and Mr. Hitesh Jain. VMPL is currently engaged in the trading of Aluminium Plates, Aluminium Coils, Aluminium Foils, Aluminium Wires, Aluminium Ingots, Aluminium Conductors, Aluminium Extrusions, steel products and scraps. The product range finds application in transport, machinery, defense, healthcare, automobile, engineering etc. The other company of the promoters, R.E Cables & Conductors Private Limited (rated CARE BBB; Stable/CARE A3+) is into designing, manufacturing and marketing all types of aluminum products and scraps. These cables and conductors find its use in power generating and distributing companies. The company markets the cables and conductors under 'RECC' brand.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (Prov.)
Total operating income	298.46	327.67
PBILDT	4.48	7.69
PAT	1.05	3.39
Overall gearing (times)	2.14	1.82
PBILDT Interest coverage (times)	1.54	2.73
PBIT Interest Coverage (times)	1.54	2.73

**A: Audited Prov.: Provisional**

**Status of non-cooperation with previous CRA:** NA

**Any other information:** Not Applicable.

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE BB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	20.00	CARE A4+

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB+; Stable	-	1)CARE BB+; Stable (10-Jan-17) 2)CARE BB+ (12-Apr-16)	-	-
2.	Non-fund-based - ST-Letter of credit	ST	20.00	CARE A4+	-	1)CARE A4+ (10-Jan-17) 2)CARE A4+ (12-Apr-16)	-	-

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