

Press Release

VITECH EQUIPMENTS PRIVATE LIMITED

November 29, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 12.50 crore bank facilities of VITECH EQUIPMENTS PRIVATE LIMITED. The outlook is '**Stable**'.

Vitech Equipments Private Limited (VEPL) is a Mumbai-based company incorporated in 2003. Promoted by Mr. Charles D'Souza, VEPL is engaged in the manufacture of heat exchangers, pressure vessels, silos etc. The installed capacity stands at 15,000 MTPA.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

VEPL is engaged in the manufacturing of heat exchangers, pressure vessels, silos etc used in paper, petrochemical, pharmaceutical, space and power industries. The promoter, Mr. Charles D'Souza possesses around four decades of experience in the said line of business.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by networth of Rs.9.15 crore (Provisional) as on 31 March, 2017 as against Rs. 8.57 crore as on 31 March, 2016. The gearing stood at 0.32 times (Provisional) as on 31 March, 2017 as against 0.48 times in the previous year. This is mainly on account of increase in profitability. The total debt of Rs. 2.94 crore includes term loan of Rs.0.60 crore from bank, unsecured loans from related parties of Rs. 0.85 crore and working capital funds of Rs. 1.49 crore. The Interest coverage ratio (ICR) stood at 4.98 times (Provisional) for FY2017 as against 3.97 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 2.53 times (Provisional) for FY2017 as against 0.54 times in the previous year. The Net cash accruals to total debt (NCA/TD) stood at 0.59 times (Provisional) in FY2017 as against 0.33 times in FY2016.

Weaknesses

- **Modest scale of operations**

The scale of operations of the company is moderate marked by revenue of around Rs. 16.53 crore in FY2017 (Provisional) compared to Rs.16.95 crore in the preceding year. Further, the company reported revenue of Rs.10.00 crore from April, 2017-August, 2017.

- **Customer concentration risk**

The total revenue for VEPL for FY2017 (Provisional) stood at Rs.16.53 crore with 80 per cent revenue generated from Desmet Ballestra India Private Limited (customer) which reflects significant customer concentration risk.

- **Working capital intensive operations**

~~The operations are working capital intensive marked by gross current asset days (GCA) of 215 days in~~

FY2017 and 191 for FY2016. This is on account of high inventory holding period of 167 days in FY2017 and 119 days in FY2016. The company maintains high inventory of work-in-process and raw material inventory due to long gestation period for executing the contracts. However, the debtor days stood at 16 for FY2017 and 41 days for FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Vitech Equipments Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that VEPL will continue to maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of higher-than-expected revenues. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

In FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.0.61 crore on operating income of Rs.16.53 crore as against PAT of Rs.0.20 crore on operating income of Rs.16.95 crore in the previous year. The tangible net worth stood at Rs. 9.15 crore as on 31 March, 2017 as against Rs. 8.57 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.96	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.20	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.84	SMERA BB- / Stable

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ABOUT SMERA

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