

Press Release

Vitech Equipments Private Limited

December 20, 2018



Rating Reaffirmed, Assigned and Withdrawn

Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Reaffirmed and Withdrawn)
Short Term Rating	ACUITE A4+ (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 12.50 crore bank facilities of Vitech Equipments Private Limited (VEPL). The outlook is '**Stable**'.

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 to name a few. The installed capacity stands at 15,000 MTPA.

Analytical Approach

Acuité has considered the standalone financial and business risk profiles of VEPL to arrive at the ratings.

Key Rating Drivers

Strengths

• Experienced management

The promoter of VEPL, Mr. Charles D'Souza possesses around four decades of experience in the industrial machinery manufacturing business. Other promoters of the company also possess over a decade of experience in the said line of business. VEPL, benefits from its long existence and relations forged with customers and suppliers.

• Moderate financial risk profile

The financial risk profile of VEPL is marked by moderate net worth of VEPL at Rs.9.87 crore as on 31 March, 2018 as against Rs.9.13 crore as on 31 March, 2017. The gearing of VEPL stood healthy at 0.12 times as on 31 March, 2018 as against 0.32 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.89 times as on 31 March, 2018 as against 0.98 times as on 31 March, 2017. Interest Coverage Ratio (ICR) has remained healthy at 6.34 times in FY2018 and 5.25 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 1.27 times as on 31 March, 2018 as against 0.55 times as on 31 March, 2017. The Debt Service Coverage Ratio (DSCR) has improved to 5.24 times for FY2018 from 2.38 times in FY2017. Acuité believes that the financial risk profile of VEPL will continue to remain moderate over the medium term on account of its improving scale of operations and conservative leverage policy.

Weaknesses

• Modest scale of operations

The scale of operation of VEPL is modest marked by operating income of Rs.22.40 crore in FY2018 as compared to Rs.16.51 crore in FY2017. However, VEPL has reported revenue of Rs.11.50 crore from April, 2018 to October, 2018. Further, the company has order book of Rs.10.00 crore executable till January 2019 which provides revenue visibility over mediumterm.

- **Customer concentration risk**

The total revenue of VEPL in FY2018 (Provisional) stood at Rs.22.40 crore with more than 75.00 percent revenue generated from Desmet Ballestra India Private Limited (customer) which reflects significant customer concentration risk.

Outlook: Stable

Acuité 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 VEPL reports higher-than-expected inflow of revenues while sustaining profitability. 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	22.40	16.51	16.95
EBITDA	Rs. Cr.	1.70	1.93	1.66
PAT	Rs. Cr.	0.73	0.61	0.20
EBITDA Margin (%)	(%)	7.60	11.72	9.79
PAT Margin (%)	(%)	3.25	3.69	1.19
ROCE (%)	(%)	13.06	10.17	7.24
Total Debt/Tangible Net Worth	Times	0.12	0.32	0.48
PBDIT/Interest	Times	6.34	5.25	3.97
Total Debt/PBDIT	Times	0.53	1.32	2.04
Gross Current Assets (Days)	Days	174	219	191

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Nov-2017	Cash Credit	Long Term	3.96	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	2.20	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	1.50	ACUITE A4+ (Assigned)
	Term Loan	Long Term	1.00	ACUITE BB- / Stable (Assigned)
	Proposed Long Term Loan	Long Term	3.84	ACUITE BB- / Stable (Assigned)

***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	ACUITE BB- / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A4+ (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A4+ (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB- / Stable (Withdrawn)
Proposed long term loan	Not Applicable	Not Applicable	Not Applicable	4.84	ACUITE BB- / Stable (Reaffirmed)
Proposed facility	Not Applicable	Not Applicable	Not Applicable	1.90	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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