

Press Release

Vulcan Industrial Engineering Company Limited (VIECL)

September 06, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 51.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 51.00 crore bank facilities of Vulcan Industrial Engineering Company Limited. The outlook is '**Stable**'.

VIECL incorporated in 1971 is having its manufacturing plant at Anand, Gujarat. It is engaged in the manufacturing of shovel parts; dragline excavator parts drill parts and drilling accessories, industrial gears. It is an API and ISO certified company. The company has an In-house R & D unit approved from Govt. of India, Ministry of science and technology. The manufacturing facility is spread over 26 acres (105,200 sq. meters) with 200,000 sq. ft. (18,580 sq. Meters) of covered area for current manufacturing capabilities.

Key Rating Drivers

Strengths

- **Experienced Management & long track record of operations**

The Company was incorporated in 1971 and since then it has expanded itself from supplying drilling accessories to manufacturing and exporting of engineering parts such as shovel parts, dragline parts, industrial gears, gear boxes and also providing customized engineering solutions. VIECL's promoter, Mr. J Gandhi along with his son Mr. Sanjay Gandhi has four decades of experience in the replacement part industry.

- **Average financial risk profile**

VIECL has average financial risk profile marked by tangible net worth of Rs. 63.15 crore as on 31st March, 2018 as against Rs. 60.43 crore as on 31st March, 2017. The gearing stood at 0.53 times as on 31st March, 2018 as against 0.61 times as on 31st March, 2017. Interest Coverage Ratio (ICR) stood at 2.74 times for FY 2018 as against 2.17 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.57 times for FY 2018 as against 0.83 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.08 times as on 31st March, 2018 as against 1.19 times as on 31st March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.24 times as on 31st March, 2018 as against 0.20 times as on 31st March, 2017.

- **Robust Revenue growth**

The revenue is continuously growing to Rs. 100.09 crore in FY 2018 from Rs. 89.59 crore in FY 2017 and 68.19 Crore in FY 2016.

Weaknesses

- **Working capital intensive operations**

VIECL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 303 days in FY2018 compared to 330 days in FY2017. The GCA days are mainly dominated by high debtor days of 161 days and inventory of 138 days in FY2018. This is mainly on account of majority sales is in the year end which consequently leads to high debtors consequently. The working capital limits were utilized up to 96.26%. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Intense competition

The company operates in a segment where various organized as well as unorganized players exists which leads to intense competition.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of VIECL to arrive at the rating.

Outlook: Stable

Acuite believes VIECL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	100.09	89.59	68.19
EBITDA	Rs. Cr.	14.40	12.77	13.98
PAT	Rs. Cr.	1.89	0.86	0.36
EBITDA Margin	(%)	14.39	14.26	20.51
PAT Margin	(%)	1.89	0.96	0.53
ROCE	(%)	7.80	6.86	6.49
Total Debt/Tangible Net Worth	Times	0.53	0.61	0.81
PBDIT/Interest	Times	2.74	2.17	2.19
Total Debt/PBDIT	Times	2.40	2.73	3.25
Gross Current Assets (Days)	Days	303	330	433

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)

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	20.00	ACUITE BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BB / Stable
Term loans	Not	Not	Not	0.75	ACUITE BB / Stable

	Applicable	Applicable	Applicable		
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.30	ACUITE A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.70	ACUITE A4+

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About Acuité Ratings & Research:

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