

Press Release

Vardhaman Precision Works

October 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.16 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB** (read as ACUITE double B) to the Rs. 6.16 crore bank facilities of Vardhaman Precision Works (VPW). The outlook is '**Stable**'.

VPW is an Aurangabad-based partnership firm established in 1999. The firm manufactures auto ancillary products and undertakes job work. It caters to Varroc Engineering Limited, Mahindra CIE Automotive Limited, VE Commercial Vehicle Limited and Sanjeev Auto Parts Manufacturers Private Limited. VPW has installed capacity of 3939 Metric Tonnes per Annum (MTPA) and 7416000 pieces per annum for manufacturing various auto ancillary products.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of VPW to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

VPW was established in 1999. The firm is promoted by Mr. Paresh Kumar Mehta (Managing Partner) and Mrs. Chetna Mehta. They have over two decades of experience in the industry. The firm has operations at Aurangabad (Maharashtra). Its established track record will help maintain relationships with customers and suppliers.

- **Reputed clientele**

VPW caters to a reputed client base including Varroc Engineering Limited, Mahindra CIE Automotive Limited, VE Commercial Vehicle Limited and Sanjeev Auto Parts Manufacturers Private Limited.

- **Above average financial risk profile**

The company has above average financial risk profile marked by net worth of Rs.6.85 crore as on 31 March, 2018 compared to Rs.5.66 crore as on 31 March, 2016. The net worth includes unsecured loan of Rs.0.35 crore as the same is subordinated to bank debt. The gearing stood at 0.39 times as on 31 March, 2018 as against 0.43 times as on 31 March, 2017. The total debt of Rs.2.70 crore comprises term loan of Rs 2.14 crore from bank and working capital loan of Rs.0.56 crore as on 31 March, 2018. Interest Coverage Ratio stood at 5.51 times in FY2018 as against 2.77 times in FY2017. Debt Service Coverage Ratio stood at 1.90 times in FY2018 as against 1.38 times in the previous year.

Weaknesses

- **Moderate scale of operations along with uneven revenue trend**

The operating revenues of the firm stood at Rs.32.709 crore for FY2018 as against Rs.24.35 crore for FY2017 and Rs.25.72 crore for FY2016. The firm is operational since 1999, in spite of which it operates on a moderate scale. Further, the revenue trend is uneven as it depends on the demand from automobile industry.

- **Competitive and fragmented industry**

VPW operates in a highly competitive and fragmented industry characterised by a large number of organised and unorganised players affecting margins.

- **Partnership constitution of the firm**

VPW is a partnership firm and hence is exposed to capital withdrawal risk.

Outlook: Stable

Acuité believes that VPW will maintain a 'Stable' outlook over the medium term on the back of the extensive experience of the promoter. The outlook may be revised to 'Positive' in case of improvement in the financial risk profile, coverage indicators and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in the capital structure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	32.79	24.35	25.72
EBITDA	Rs. Cr.	3.20	1.98	1.84
PAT	Rs. Cr.	0.82	0.24	0.30
EBITDA Margin (%)	(%)	9.76	8.13	7.16
PAT Margin (%)	(%)	2.49	0.99	1.17
ROCE (%)	(%)	15.88	11.77	27.66
Total Debt/Tangible Net Worth	Times	0.39	0.43	0.92
PBDIT/Interest	Times	5.51	2.77	2.42
Total Debt/PBDIT	Times	0.84	1.21	1.94
Gross Current Assets (Days)	Days	56	61	69

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

None

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
Term loans	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.38	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.04	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.04	ACUITE BB / Stable

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About Acuité Ratings & Research:

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