

Press Release

V T Switchgears and Transformers

December 06, 2021



Rating Reaffirmed & Withdrawn

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.50	0.00		ACUITE A4 Reaffirmed & Withdrawn
Bank Loan Ratings	3.50	0.00	ACUITE B+ Reaffirmed & Withdrawn	
Total	5.00	0.00	-	-

Rating Rationale

Acuite has reviewed and withdrawn the long-term rating of 'ACUITE B+' (read as ACUITE B plus) and short term rating of ACUITE A4 (read as ACUITE A four) on the Rs.5.00 crore bank facilities of V T Switchgears and Transformers. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

About the company

V.T. Switchgears and Transformers (VTST), a Bangalore based company, is a Hindu Undivided Family (HUF) which was established in the year 1987, led by Mr. T. Rudrappa, who is the proprietor (Karta). VTST is a manufacturer of "Distribution and Power Transformers" since two decades ranging from 25KVA to 8 MV Distribution, and 25 KVA to 25000 KVA of "Dry type transformers". The firm also manufactures Electrical Poles like RCC, PSC & Square cement poles and other line materials & accessories.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the VTST to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations

VTST was established in 1987; outlining an operational track record of over three decades in the aforementioned line of business. The proprietor of the firm has an experience of over three decades in the same line of industry. The long track record of operations and experience of the management have helped the firm develop healthy relationships with its customers and suppliers. Acuite believes that VTST will sustain its existing business profile on the back of established track record of operations and experienced management.

• **Moderate revenue and profitability margins**

Operating income of the company stood at Rs. 12.91 crores in FY2020 as against Rs. 14.50 crores in FY2019. The company has achieved revenue of Rs. 15.46 crores in FY2021 (Provisional). The operating margins stood at 8.95 per cent in FY2021 (Provisional) and 10.62 per cent in FY2020 as against 6.21 percent in FY2019. Company is focusing on exports to improve scale and profitability. The improvement is on account of increase in taking up of government tenders which led to higher profitability and efficient management of raw material cost and decline in employee cost. Sales and profitability is susceptible to the risk arising from tender based nature of operations

Weakness

• **Moderate financial risk profile**

The financial risk profile of VTST have remained moderate marked by net worth of Rs 4.88 crore as on 31st March 2021 and Rs. 4.32 crore as on 31 March, 2020 as against Rs. 4.07 crores as on 31 March, 2019. The gearing (debt/equity) stood moderate at 0.90 times as on 31 March 2021(Provisional) as against 0.99 times as on 31 March, 2020 and 1.37 times as on 31 March, 2019. The moderate profitability coupled with high gearing levels have resulted in moderate debt protection metrics with interest coverage of 3.00 times as on March 31, 2021 (Provisional) as against 2.76 times as on March 31, 2020. NCA/TD stood at 0.21 times as on March 31, 2021 (Provisional). TOL/TNW ratio remained at 1.76 times as on March 31, 2021 as against 1.79 time as on March 31, 2020. DSCR stood at 2.55 times as on March 31, 2021 as against 2.34 times as on March 31, 2020. In FY2021 (Provisional) Net cash accruals have stood at Rs. 0.92 crore.

• **Working capital intensive operations**

The working capital cycle of VTST has been intensive marked by Gross Current Assets (GCA) of 247 days in FY2021 (Provisional) and 275 days in FY2020 and 284 days in FY2019. . The high GCA days are on account of high debtor days. The debtor days are higher due to government works and where the amount is received within 30-60 days. The debtor days and inventory days as on March 31, 2021 (Provisional) stood at 140 days and 57 days. The stretched debtor days risk is mitigated by stretched creditor days of 117 days as on March 31st 2021 (Provisional)

Liquidity Position: Moderate

VTST has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.30 to Rs.1.10 crore during the last three years through 2018-21. The company maintains unencumbered cash and bank balances of Rs. 0.05 crore as on March 31, 2021 (Provisional). The current ratio of the company stood moderate at 1.50 times as on March 31, 2021.

Rating Sensitivity

Not Applicable

Material Covenants

None

Outlook

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	15.46	12.91
PAT	Rs. Cr.	0.63	0.65
PAT Margin	(%)	4.08	5.00
Total Debt/Tangible Net Worth	Times	0.90	0.99
PBDIT/Interest	Times	3.00	2.76

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Mar 2021	Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	3.50	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
15 Jan 2020	Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	3.50	ACUITE B Stable (Reaffirmed)
18 Dec 2018	Cash Credit	Long Term	3.50	ACUITE B Stable (Assigned)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	0.00	ACUITE B+ Reaffirmed & Withdrawn
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	0.00	ACUITE A4 Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Harjas Kaur Manny Management Trainee-Rating Operations Tel: 022-49294065 harjaskaur.manny@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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