

Press Release

H V Equipments Private Limited

August 06, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs.21.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.21.00 crore bank facilities of H V Equipments Private Limited (HVEPL). The outlook is '**Stable**'.

The Noida-based, HVEPL was incorporated in 1984 by Mr. Sardar Singh Verma and Mr. Harpal Singh Verma. At present, day-to-day operations are headed by Mr. Sardar Singh Verma and Mrs. Sushila Verma. The company is engaged in the design and manufacturing of dense phase pneumatic conveying systems for handling various bulk fine powder and granular materials with its manufacturing facilities located in Noida.

Analytical Approach

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

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

HVEPL has an operational track record of more than three decades. The promoter of the company, Mr. S.S. Verma has an extensive experience of over 5 decades in the industrial waste handling industry. He is equally supported by Mrs. Sushila Verma who has an experience of around 5 decades in the same line of business.

The extensive experience of the management has enabled HVEPL to maintain long standing relationships with many reputed clients like Bharat Heavy Electricals Limited (BHEL), National Thermal Power Corporation (NTPC) and Larsen & Toubro Limited (L&T) to name a few.

Acuite believes that HVEPL will benefit from its experienced management and established presence in the industry.

Weaknesses

• Moderate financial risk profile

The financial risk profile of HVEPL is moderate marked by average net worth, debt protection metrics and coverage indicators. The net worth of the company stood at Rs.6.76 crore as on 31 March 2019 (Provisional) as against Rs.6.02 crore as on 31 March 2018. The gearing (debt-equity) stood at 0.89 times as on 31 March 2019 (Provisional) as against 1.10 times as on 31 March 2018. The total debt of Rs.6.00 crore as on 31 March 2019 (Provisional) mainly comprises Rs.3.65 crore of working capital borrowings, Rs.1.13 crore of long-term debt and Rs.0.66 crore of unsecured loans. The coverage indicators are average marked by Interest Coverage Ratio (ICR) which stood at 1.96 times for FY2019 (Provisional) as against 1.81 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.16 times in FY2019 (Provisional) and 0.12 times in FY2018. Debt to EBITDA stood at 2.35 times in FY2019 (Provisional) as against 2.33 times in FY2018.

Acuite believes that the company will maintain its financial risk profile on account of average net cash accruals and in absence of any major debt funded capex in near to medium term.

• Modest scale of operations

The operations of HVEPL are modest despite the company's presence in the line of business for around 35 years marked by the revenue of Rs.20.05 crores in FY2019 (Provisional) as against Rs.18.01 crore in FY2018. Moreover, the company is exposed to customer concentration risk as more than 50 per cent of the revenue are generated from the customers like B.H.E.L., N.T.P.C. and L & T.

• Working Capital Intensive operations:

HVEPL's working capital operations are intensive marked by Gross Current Assets (GCA) of 342 days for FY2019 (Provisional) as against 339 days in the previous year. The GCA days are high on account of high debtor collection period of 295 days in FY2019 (Provisional) as against 288 days in the previous year. The inventory holding period stood at 31 days in FY2019 (Provisional) as against 42 days in the previous year.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile

Liquidity position

HVEPL has average liquidity marked by average net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.93 crore for FY2019 (Provisional) against debt obligations of Rs.0.57 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.1.21 crore to Rs.1.73 crore during FY2020-22 against repayment obligations ranging from Rs.0.28 crore to Rs.0.55 crore. HVEPL's working capital operations are intensive marked by gross current asset (GCA) days of 342 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.0.05 crore as on 31 March 2019 (Provisional). The current ratio stands at 1.46 times as on 31 March 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain average over the medium term on account of average cash accruals against the debt repayments over the medium term.

Outlook: Stable

Acuite believes that HVEPL will maintain a 'Stable' outlook over the medium term on the back of its established presence in the industry. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenues and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than- expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	20.05	18.01	18.81
EBITDA	Rs. Cr.	2.29	2.20	2.55
PAT	Rs. Cr.	0.73	0.64	0.57
EBITDA Margin	(%)	11.44	12.22	13.54
PAT Margin	(%)	3.65	3.57	3.05
ROCE	(%)	17.52	17.59	22.90
Total Debt/Tangible Net Worth	Times	0.89	1.10	1.18
PBDIT/Interest	Times	1.96	1.81	1.62
Total Debt/PBDIT	Times	2.48	2.89	2.40
Gross Current Assets (Days)	Days	342	339	348

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to 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
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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