

Press Release

Vishvas Power Engineering Services Private Limited

August 05, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.35	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	13.65	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ BB+**' (read as **ACUITE double B Plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A Four Plus**) to the Rs 25.00 Cr. bank facilities of Vishvas Power Engineering Services Private Limited (VPESPL). The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating assigned reflects VPESPL's experienced management and long operational track record of the company along with longstanding relationship with reputed clients namely Indian Railways, Siemens Ltd, MSETCL, Jindal Steel Ltd, Delhi Transco Ltd, among others. Further, the rating derives comfort from moderate financial risk profile of the company along with adequate liquidity position with moderate bank limit utilisation. However, the rating remains constrained by the working capital intensive nature of operations and highly fragmented and competitive nature of the industry.

About the Company

The Company was incorporated in 1996-97 rendering services in in switch gears and transformers. Now the company is an ISO Certificate 9001-2015 approved service & manufacturing of power transformers and traction transformers for Railways and other private companies. From 2008, the company has overhauled power transformers ranging from 10 MVA- 315 MVA and majority in 132 KV – 400 KV. There are three Directors who are associated with the organization: Kiran Prabhakar Joharapurkar, Rajeev Madhukar Bhavne and Savionse Vinsent Dmello. It became a preferred company in this line of business in Maharashtra state plus other states and was awarded at Government level many times.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of VPESPL to arrive at the rating.

Key Rating Drivers

Strengths

>Experienced promoters and established nature of operations

The company is promoted by Kiran Prabhakar Joharapurkar, Rajeev Madhukar Bhawe and Savionsent Vinsent Dmello with an experience of over two decades and is engaged in manufacturing of power transformers and traction transformers for Railways and other private companies. In 2016-17, the company also received RDSO approval for manufacturing power transformers and traction transformers for Railways. Also, the company has longstanding relationship with reputed clients namely Indian Railways, Siemens Ltd, MSETCL, Jindal Steel Ltd, Delhi Transco Ltd, among others. The experience of promoter is also reflected through a growth in revenue of Rs 48.09 Crores in FY 2022 (Prov) as against Rs 40.29 Crores in FY 2021. Further, the company is expecting a revenue of around Rs.70-75 crores for FY2023 out of which it has already achieved Rs.18 crores in Q1 FY 2022-23. The company has an order book outstanding of Rs 75 crores as on June 2022 which provides the medium-term revenue visibility.

Acuité believes VPESPL will continue to benefit from its long track of operations and the rich experience of the management along with longstanding relationship with reputed clientele.

>Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing and comfortable debt protection metrics. The tangible net worth stood at Rs.19.03 crore as on 31 March, 2022 (Prov) as against Rs.16.32 crore as on 31 March, 2021 and Rs.15.06 crore as on 31 March, 2020. The total debt of the company stood at Rs.16.59 crore includes Rs.6.26 crore of long term debt, Rs.6.57 crore of short term debt, Rs.1.80 crore of unsecured loans and Rs.1.96 crores of CPLTD as on 31 March, 2022 (Prov). The gearing (debt-equity) stood at 0.87 times as on 31 March, 2022 (Prov) as compared to 1.09 times as on 31 March, 2021 and 1.05 times as on 31 March, 2020. Interest Coverage Ratio stood comfortable at 3.32 times for FY2022 (Prov) as against 1.87 times for FY2021 and 1.51 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.42 times in FY2022 (Prov) as against 1.25 times in FY2021 and 1.19 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.24 times as on 31 March, 2022 as against 1.59 times on 31 March, 2021 and 1.37 times on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.21 times for FY2022 (Prov). Acuité believes that the financial risk profile of the VPESPL is likely continue to remain moderate over the medium term with no debt-funded capex plans.

Weaknesses

>Intensive Working Capital Management

The working capital management of the company is intensive marked by GCA days of 255 days in FY2022 (Prov) as against 309 days in FY2021 and 490 days in FY2020. Also, the debtor days stood at 110 days in FY2022 (Prov) as against 143 days in FY2021 and 172 days in FY2020. The reason for high debtors is that most of the company billings happens in the end of the month of March and the payment period mostly comes in April. The average credit period allowed to customers is around 45-60 days. The creditor days stood at 78 days in FY2022 (Prov) as against 72 days in FY2021 and 134 days in FY2020. The average period allowed by suppliers is around 45-60 days. However, the inventory days remain around 91 days in FY 2022 (Prov) as against 76 days in FY 2021 and 194 days in FY2020.

Acuité expects the working capital management to remain intensive over the medium term considering the nature of business and terms allowed to customers

>Highly fragmented and competitive industry

The industry is marked by presence of large number of organized and unorganized players. The industry is intensely competitive and fragmented because of low entry barriers and moderate capital requirements. The high competitive intensity limits the pricing flexibility and exerts pressures on the margins of all participants. However, the established brand presence, reputed customer base and experienced management mitigates the risk to some extent.

Rating Sensitivities

- Substantial improvement in scale of operation while maintaining profitability margins.

Elongation in working capital cycle leading to higher reliance on working capital limits.

Material covenants

None.

Liquidity Position: Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals. The company has net cash accruals in the range of Rs.1.21-3.49 Crore from FY 2020-2022 against its maturing debt obligation of Rs.1.03-1.96 crores during the same tenure. And also, is expected to generate a sufficient cash accrual in the range of Rs 10.45-13.73 crores against the maturing repayment obligations of around Rs 2.35-2.66 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 255 days in FY2022 (Prov) as against 309 days in FY2021 and 490 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.0.17 crore as on March 31, 2022 (Prov). The current ratio stands at 2.43 times as on March 31, 2022 (Prov). The average bank limit utilization for the past 06 months ending May 2022 for fund-based facility is ~ 77.27 percent.

Outlook: Stable

Acuité believes that VPESPL will continue to maintain a 'Stable' outlook over the medium term owing to its experienced and technically qualified management. The outlook may be revised to 'Positive' if the company reports significant improvement in revenue and scale of operations while maintaining operating profitability, leading to higher cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile or higher than expected working capital borrowings.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	48.09	40.29
PAT	Rs. Cr.	2.71	1.11
PAT Margin	(%)	5.63	2.76
Total Debt/Tangible Net Worth	Times	0.87	1.09
PBDIT/Interest	Times	3.32	1.87

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	11.05	ACUITE A4+ Assigned
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE A4+ Assigned
Canara Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	8.24	ACUITE BB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.11	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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