



Press Release
Vishvas Power Engineering Services Private Limited
August 01, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.41	ACUITE BB+ Positive Reaffirmed Stable to Positive	-
Bank Loan Ratings	25.15	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	47.56	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four Plus**) on Rs.47.56Cr bank facilities of Vishvas Power Engineering Services Private Limited (VPESPL). The outlook is revised to '**Positive**' from '**Stable**'.

Rationale for change in outlook:

The revision in outlook is driven by continued growth in operating income during Q1FY24 as the company reported sales of ~Rs.44Cr for the period and presence of healthy order book of ~Rs.175Cr providing revenue visibility in the medium term.. The company's revenue has recorded 109 percent YOY growth during FY23 as it stood at Rs.100.58Cr as against Rs.48.09Cr in FY22. The operating margin remained stable at 13.19percent during FY23 against 13.04 percent in previous year. The financial risk profile is moderate marked by moderate net-worth position, capital structure and comfortable coverage indicators.. Going forward the VPESPL's ability to sustain the growth in revenue while maintaining the present profitability levels will be a key monitorable.

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 Bhawe and Savionsent 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 company has an order book outstanding of Rs 175 crore as on June 2023 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.

Improved operating performance:

VPESPL has reported significant growth in its operations during FY2023, the company has reported revenue of Rs.100.58Cr during the year reporting a YoY growth rate of 109 percent against Rs.48.09Cr during FY22. The growth is contributed by healthy orders from manufacturing segment and healthy realisations. The operating margins remain range bound during this period as the company recorded operating margins of 13.16 percent in FY23 against 13.04 percent in FY22 and 12.87 percent in FY2021. The company has outstanding order book of Rs.175Cr which is to be executed in next 12 months. The company has recorded a revenue of ~Rs.44 Cr in Q1FY24 and is estimated to achieve a turnover of more than Rs.150 Cr during the year. With healthy orders in hand and improving manufacturing plant capacity, VPESPL's ability to sustain the improved performance in the medium term will remain a key monitorable aspect.

Moderate financial risk profile:

The financial risk profile of the company is moderate marked by improving capital structure and comfortable debt protection metrics. Company's net worth stood at Rs.25.77Cr as on March 31, 2023 against Rs.19.00Cr during the previous year. Growth in networth is primarily due to accretion of profits to reserves. The capital structure was comfortable as observed from the gearing of 0.78 times as on March 31, 2023 against 0.87 times during previous year. Further to this, total outside liabilities to net worth was at 1.11 times as on March 31, 2023 against 1.23 times during previous year. Debt protection metrics are improving over the years, as on March 31, 2023, Interest coverage ratio stood at 4.37 times against 3.30 times of previous year's. Debt service coverage ratio was improved to 2.15 times from 1.42 times of previous year. Debt to EBITDA improved to 1.48 times as on March 31, 2023 from 2.57 times of previous year. Acuite believes that financial risk profile will improve in the medium term on account of healthy capital structure and debt protection metrics.

Weaknesses

working capital intensive operations:

Working capital operations of the company are intensive, however, recorded an improvement marked by Gross current assets (GCA) days of 143 days during FY23 against 254 days during previous year. This significant improvement in GCA days is attributable to significant decrease in collection period and inventory holding period. VESPL has started a client management team with an aim to reduce the receivable period by continuously following up for the payments. The debtor days stood at 50 days for FY2023 as against 110 days for FY2022. The inventory days stood at 51 days for FY2023 as against 90 days for FY2022. The payable days stood at 40 days for FY2023 as against 71 days. Moderate working capital cycle days has led to moderately high dependency on fund based working capital limits, as the limits were utilized at an average of 72 percent during the past 6 months. Acuite believes that the working capital operations will remain moderately intensive in the medium term.

High customer concentration risk:

VPESPL is into manufacturing , repairing of transformers which are utilized for electricity distribution. The company manufactures transformers as per the yearly orders received from

various players with established long term relationship. Wherein Indian Railways alone contributes more than 50 percent of the total revenue of FY23 depicting high customer concentration risk on the revenue profile.

Highly fragmented and competitive industry

The industry is marked by presence of large number of organized and unorganized players with cut throat competition 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

- Sustaining the growth in operations while improving operating and profitability margins.
- Elongation in working capital cycle leading to higher reliance on working capital limits.

Material covenants

None

Liquidity Position: Adequate

VPESPL's liquidity position is adequate which is evident from the sufficient net cash accruals (NCA) against moderate debt repayment obligations and healthy current ratio. The company has reported NCA's of Rs.7.59Cr during FY23 against debt repayment obligations of Rs.1.96Cr for the same period. Going forward NCAs are expected to be in the range of Rs.13-19Cr in the medium term against debt repayment range of Rs.2.5-2.9 for the same period. The company's working capital operations are moderately intensive which is reflected by GCA days of 143 days as on March 31, 2023. Current ratio of the company stood at 2.47 times during the year. Unencumbered cash and bank balances stood at 0.26Cr as on March 31, 2023. Acuite believes that liquidity position is expected to be adequate on account of sufficient cash accruals against repayment obligations and improving scale of operations.

Outlook: Positive

Acuite believes that VPESPL will maintain a 'Positive' outlook over the medium term driven by expected improvement of operating performance of VPESPL supported its healthy order book position and business improvement measures undertaken by the company. The rating may be upgraded if the company sustains the growth recorded in recent past while maintaining its profitability margins, financial risk profile and working capital cycle. Conversely, the outlook may be revised to 'Stable' if the company registers lower than expected improvement in performance marked by decline in revenue and profitability margins or larger than expected debt funded capital expenditure leading deterioration in the financial risk profile or elongated working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	100.58	48.09
PAT	Rs. Cr.	6.98	2.68
PAT Margin	(%)	6.94	5.57
Total Debt/Tangible Net Worth	Times	0.78	0.87
PBDIT/Interest	Times	4.37	3.30

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

India ratings vide its press release dated 15th May 2023 had rated the company to IND-RA D/D; Issuer Not Cooperating.

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jul 2023	Secured Overdraft	Long Term	2.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	10.41	ACUITE BB+ Stable (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	12.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	9.15	ACUITE A4+ (Assigned)
05 Aug 2022	Secured Overdraft	Long Term	8.24	ACUITE BB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	3.11	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	2.60	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	11.05	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	21.15	ACUITE A4+ Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A4+ Reaffirmed
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BB+ Positive Reaffirmed Stable to Positive
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.41	ACUITE BB+ Positive Reaffirmed Stable to Positive

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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