



Press Release

EVOLVENTE TECHNOLOGIES PRIVATE LIMITED (ERSTWHILE VESAN ENGINEERING PRIVATE LIMITED)

April 16, 2025

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.00	ACUITE BBB- Negative Reaffirmed Stable to Negative	-
Bank Loan Ratings	2.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	26.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) and the short-term rating of ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs.26.00 Cr. bank facilities of Evolvente Technologies Private Limited (Erstwhile Vesan Engineering Private Limited) (ETPL). The outlook is revised to ‘**Negative**’ from ‘**Stable**’.

Rationale for rating reaffirmation and revision in outlook

The revision in outlook from ‘Stable’ to ‘Negative’ is on the account of stagnancy in revenues along with steep decline in profitability in FY2025 on the back of lower-than-expected offtake of additional capacities post commercialisation of planned capex which contributed to higher-than-expected overhead cost. The demand remained subdued due to the stiff competition from the players in the vicinity and demand side challenges faced by the OEMs. Further, the rating reaffirmation reflects the moderation in operating performance and profitability margins. The rating derives strength from ETPL's moderate financial risk profile, the extensive experience of its promoters in the industry and its adequate liquidity position. However, the rating is constrained by the company's moderately intensive working capital requirements and its presence in a highly competitive industry.

About the Company

Evolvente Technologies Private Limited (Erstwhile Vesan Engineering Private Limited) (ETPL) was incorporated in the year 1995 is promoted by Mr. Anil V. Somalvar. The company is engaged into manufacturing of gears, shafts & other products from closed die forging. The company supplies components as forged, heat treated and in finished conditions with machining to various industries such as automotive, agriculture (farm), earth moving equipment, wind energy, construction, plastic and sugar industry. The manufacturing unit of the company is located at Alandi, Pune and it has forging capacity to produce approximately 5000 tonnes per annum of components.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of ETPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

ETPL has an established operational track record of over two decades. It is promoted by Mr. Anil V. Somalwar who possess ~40 years of experience in the field of closed die forging. He is supported by other directors, Mr. Shrikrishna K. Kalambkar, Mrs. Swati A. Somalwar & Mr. Anil G. Kharwadkar who possess over 40 years of experience in the same industry. The promoter & directors are being supported by its team of experienced professionals in managing day to day operations of ETPL. The extensive experience of the promoter and directors has enabled ETPL to establish a healthy relationship with its customers and suppliers. Acuité believes that ETPL will continue to benefit from its experienced management and established track record of operations.

Moderate Financial Risk Profile

ETPL's financial risk profile is moderate marked by a modest net worth, moderate gearing, and moderate debt protection metrics. The company's tangible net worth improved to Rs. 18.65 crore as of March 31, 2024, from Rs. 15.66 crore as of March 31, 2023, due to profit retention in reserves. This includes Rs. 1.41 crore of unsecured loans from directors, treated as quasi-equity since they are subordinated to bank borrowings, with an undertaking submitted by the management.

The gearing (debt-equity) ratio stood at a moderate 0.97 times as of March 31, 2024, compared to 0.94 times as of March 31, 2023, due to an increase in overall debt to Rs. 18.06 crore in FY2024 from Rs. 14.78 crore in FY2023. This increase is attributed to the ongoing CAPEX aimed at enhancing the production capacity of the machining process. The total debt of Rs. 18.06 crore as of March 31, 2024, includes long-term bank borrowings of Rs. 7.53 crore, short-term bank borrowings of Rs. 7.24 crore, and the current portion of long-term debt of Rs. 3.29 crore. The gearing is expected to improve further over the medium term. Although the interest coverage ratio and DSCR moderated, they remained comfortable at 5.96 times and 1.86 times for FY2024, respectively, compared to 7.16 times and 2.41 times for FY2023. The Net Cash Accruals to Total Debt ratio moderated to 0.35 times for FY2024. The Total Outside Liabilities to Tangible Net Worth ratio stood at 1.70 times for FY2024, and the Debt-EBITDA ratio was 1.99 times for FY2024, compared to 1.95 times for FY2023. Acuité believes that the financial risk profile of ETPL will remain moderate over the medium term due to its moderate gearing, modest tangible net worth and moderate debt protection metrics.

Weaknesses

Moderations in operating performance along with decline in profitability margins

ETPL's revenue remained stable at Rs. 70.45 crore in FY2024, compared to Rs. 68.94 crore in FY2023. Despite stable revenue, ETPL's operating margin improved significantly, reaching 12.80 per cent in FY2024 from 10.78 per cent in FY2023. However, the net profit margin slightly declined to 4.25 per cent in FY2024 from 4.86 per cent in FY2023, due to increased interest costs and depreciation charges.

As of March 2025, ETPL reported a revenue of ~ Rs. 67.17 crore which is further moderating the operating performance. The profitability margins have seen a slight decline due to high employee turnover, leading to higher employee costs, interest, and depreciation. For FY25 the operating profit margin is expected to decline and stand at 9 per cent and the PAT margins is expected to decline significantly and will be in the range of 0.60 per cent to 1 per cent. Acuité believes that the ability of ETPL to improve its scale of operations and profitability margins will remain a key rating sensitivity factor.

Moderately working capital intensive operations

ETPL's working capital operations are moderately intensive, as indicated by its Gross Current Assets (GCA) of 142 days for FY2024, compared to 129 days in FY2023. This is due to its inventory and receivables cycle, which stood at 62 days and 81 days for FY2024, respectively, compared to 46 days and 83 days for FY2023. The company's creditors cycle also increased to 110 days for FY2024 from 91 days in FY2023. The average bank limit utilization for the six-month period ending February 2025 stood at 84.96 per cent. Acuité believes that the ability of ETPL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Susceptibility to foreign exchange rate fluctuation

The company is exporting around 24 per cent majorly to Switzerland and further are going to start business in USA also. Further natural hedging is not availed as they are not into importing and they are not using any hedging mechanism to cover forex risk thus they are susceptible to fluctuation in the foreign currency.

Presence in highly competitive and cyclical nature of the steel industry

ETPL's performance remains vulnerable to cyclicity in the steel sector as steel being a key raw material in the manufacturing of gears, shafts & other products from closed die forging. Also, demand for steel & other nonferrous metals depends on the performance of the end user segments like automobile and construction. Indian steel sector is highly competitive due to the presence of large number of players.

Rating Sensitivities

- Ability to continuously improve scale of operations and profitability margins
- Ability to improve and maintain an efficient working capital cycle
- Any deterioration in the financial risk profile

Liquidity Position Adequate

ETPL maintains an adequate liquidity position, supported by sufficient net cash accruals (NCA) to meet its maturing debt obligations. In FY24, the company generated cash accruals of Rs. 6.33 crore, comfortably covering its maturing debt obligation of Rs. 2.70 crore for the same period. Looking ahead, NCAs are expected to range between Rs. 4.27 to Rs. 7.10 crore for FY2025-FY2026, against a debt repayment obligation of ~Rs. 4.20 crore during the same period. The average bank limit utilization for the six-month period ending February 2025 was approximately 84.96 per cent. As of March 31, 2024, ETPL's current ratio stood at 1.16 times, and the company maintained a cash and bank balance of Rs. 0.05 crore.

Outlook: Negative

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	70.45	68.94
PAT	Rs. Cr.	2.99	3.35
PAT Margin	(%)	4.25	4.86
Total Debt/Tangible Net Worth	Times	0.97	0.94
PBDIT/Interest	Times	5.96	7.16

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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
18 Jan 2024	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.09	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.14	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.39	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	6.66	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.76	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	3.96	ACUITE BBB- Stable (Reaffirmed)
20 Oct 2022	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	1.09	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.14	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	3.39	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.66	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.76	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Loan	Long Term	3.96	ACUITE BBB- Stable (Assigned)
	Proposed Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
The Saraswat Cooperative Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
The Saraswat Cooperative Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A3 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.96	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
The Saraswat Cooperative Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	1.09	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
The Saraswat Cooperative Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	0.14	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
The Saraswat Cooperative Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	3.39	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
The Saraswat Cooperative Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	6.66	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
The Saraswat Cooperative Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	0.76	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative

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About Acuité Ratings & Research

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