Press Release

Vishwakarma Engineering Works

September 05, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** to the Rs. 5.00 crore bank facilities of Vishwakarma Engineering Works. The outlook is **'Stable'**.

Vishwakarma Engineering Works (VE Work) was established in Mumbai by Mr. Arvind Patel, the proprietor, in the year 1986. The firm is engaged in the business of metal fabrication.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

  The proprietor has experience of more than thirty five years in the metal fabrication business. Mr. Jay Patel, son of Mr. Arvind Patel, manages the marketing of the firm's products. He holds experience of more than fifteen years. Acuité believes that the long track record of operations and extensive experience of the management in the industry has helped the firm maintain long term relations with customers and suppliers.

- **Growing scale of operations**

  The firm has a growing scale of operations marked by an operating income of Rs.7.23 crore in FY2018 (Provisional) as against Rs.5.73 crore in FY2017. The firm has booked gross revenue of ~ Rs.4.00 crore for the period of April, 2018 to July, 2018. Further, VE Works has orders in hand of Rs.~1.70 crore which provides visibility of future revenue in the near to medium term.

- **Average financial risk profile**

  The financial risk profile of VE Works is average marked by tangible net worth of Rs.1.62 crore as on 31 March, 2018 (Provisional) as against Rs.1.41 crore as on 31 March, 2017. The total debt of Rs.4.01 crore outstanding as on 31 March, 2018 (Provisional) consists of Rs.2.38 crore term loan from the bank and Rs.1.64 crore unsecured loans by the promoter. The gearing is average at 2.48 times as on 31 March, 2018 (Provisional) as against 3.08 times as on 31 March, 2017. Interest Coverage Ratio stood at 2.19 times in FY2018 (Provisional) as against 2.22 times in FY2017. DSCR stood low at 0.99 times in FY2018 (Provisional) as against 1.51 times in FY2017. The net cash accruals stood same at Rs.0.55 crore in FY2018 (Provisional) and in FY2017. The NCA/TD ratio stood at 0.14 times in FY2018 (Provisional) as against 0.13 times in FY2017. VE Works has no short-term debt obligation. Acuité believes that the firm will improve its financial risk profile backed by healthy accruals over the near to medium term.

Weaknesses

- **Working capital intensive operations**

  The working capital cycle of VE Works is capital-intensive marked by Gross Current Asset (GCA) days of 262 in FY2018 (Provisional) as against 237 days in FY2017. This is majorly on account of high receivables. The receivable days stood at 162 in FY2018 (Provisional) as against 149 days in FY2017. The inventory holding period stood at 63 days in FY2018 (Provisional) as against 90 days in FY2017. The firm gets extended credit period from its suppliers up to 90 days. Acuité believes that an improvement in working capital cycle will be a factor of key rating sensitivity.

- **Competitive and fragmented industry**
  The Iron and Steel industry is fragmented and is characterised by severe competition. The firm faces intense competition from a large number of organised and unorganised players, which restricts its pricing flexibility.

Outlook: Stable

Acuité believes that VE Works will maintan 'Stable' outlook over the medium term from the experience of its management. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining its operating profitability and improving its coverage indictors. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.23	5.73	4.88
EBITDA	Rs. Cr.	1.02	0.96	1.03
PAT	Rs. Cr.	0.30	0.27	0.27
EBITDA Margin	(%)	14.11	16.83	21.20
PAT Margin	(%)	4.17	4.70	5.46
ROCE	(%)	13.49	12.99	14.23
Total Debt/Tangible Net Worth	Times	2.48	3.08	3.79
PBDIT/Interest	Times	2.19	2.22	2.25
Total Debt/PBDIT	Times	3.93	4.33	4.07
Gross Current Assets (Days)	Days	262	237	386

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto 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
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.