

Lakshmi Vacuum Heat Treaters Private Limited

April 08, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	5.37	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
Total Bank Facilities	5.37 (Rs. Five Crore and Thirty-Seven Lakhs Only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 13,, 2020, placed the rating(s) of Lakshmi Vacuum Heat Treaters Private limited under the 'issuer non-cooperating' category as the company had failed to provide information for monitoring of the rating. The company continues to be non-cooperative despite repeated requests for submission of information through e-mails dated April 02,2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

At the time of last rating on January 13,2020 the following were the strengths and weaknesses..

Key Rating Weakness
Small Scale of operations:

Despite the company has a track record of one decade, the total operating income (TOI), remained at Rs. 23.98 crore in FY19 and with low net worth base of Rs. 5.00 crore as on March 31, 2019 as compared to other peers in the industry.

Leveraged capital structure and moderate debt coverage indicators:

The capital structure marked overall gearing has deteriorated and stood leveraged at 2.58x as on march 31, 2019 as compared to 1.60x as on March 31, 2018 due to increase in total debt levels. The debt profile of the company consists of term loans of Rs. 7.05 crore, working capital limits of Rs. 2.01 crore and unsecured loan of Rs. 3.84 crore as on March 31, 2019.

The debt coverage indicators has been deteriorated due to increase in total debt levels. The total debt to GCA has deteriorated from 3.49x in FY18 to 7.40x in FY19. However, interest coverage ratio improved from 2.67x in FY18 to 3.52x in FY19 due to absolute amount of increase in PBILDT.

Elongated creditor period

Operating cycle of the company remained negative at -70 days due elongated creditor days of 179 days in FY19

Key Rating Strengths
Satisfactory track record and long experience of promoters in vacuum heat treatment services:

LVHTPL has been in the vacuum heat treatment services for the last 11 years and has established a reasonable track record of operations with its ability to bag repeated orders from its existing customers and acquire new customers. Mr. L N Prasad, promoter of the company, has been in this field for more than 20 years and is well acquainted to carry out the business. The company has also appointed metallurgists with considerable experience which makes LVHTPL technically strong.

Geographical diversification with plants based in the vicinity of customers:

LVHTPL is geographically well-diversified with its heat treatment services located in seven different locations viz. Bangalore, Hosur, Delhi, Coimbatore, Chennai, Hyderabad, and Pune. The company typically tries to set up facility closer to its customer's plants in order to attain competitive advantage and ensure faster turnaround of orders.

Well established customer relationship:

Over his two decades of operations in the similar line of business, the promoter has developed good long-term relationship with many of the company's existing customers. Some of the major customers that the company caters to are, Bosch Limited, Rico Auto Industries Ltd, Bajaj Auto Ltd, Larsen & Turbo Limited, Endurance Group, Bill Forge Private Limited and Sundaram Clayton.

Satisfactory profit margins:

Despite of decline in profitability margins, the PBILDT margin stood satisfactory at 13.29% in FY19 as compared to 15.59% in FY18. Further, PAT margin has declined by 64 bps and stood at 3.21% in FY19 as compared to 3.85% in FY18.

Analytical approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology-Manufacturing Companies](#)

About the Company

Lakshmi Vacuum Heat Treaters Private Limited was incorporated in the year 2008 and promoted by Mr. L N Prasad and Ms. K S Varalakshmi. LVHTPL is engaged in providing heat treatment services to attain different levels of hardness. The company's customers mainly belong to automobile engineering, textile engineering, medical engineering, aerospace, and other allied engineering industries.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	19.01	23.98
PBILDT	2.96	3.19
PAT	0.73	0.77
Overall gearing (times)	1.60	2.58
Interest coverage (times)	2.67	3.52

A-Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2021	3.37	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	3.37	CARE B; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (13-Jan-20)	1)CARE BB-; Stable (03-Aug-18)
2.	Fund-based - LT-Cash Credit	LT	2.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (13-Jan-20)	1)CARE BB-; Stable (03-Aug-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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