

## Vitech Heavy Equipments Private Limited

March 31, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	24.15	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	15.85	CARE BB+; Stable / CARE A4+	Assigned

Details of facilities in Annexure-1.

### Rationale and key rating drivers

For arriving at the rating of Vitech Heavy Equipments Private Limited (VHEPL), CARE Ratings Limited (CARE Ratings) has considered the combined business and financial profile of three entities, namely, VHEPL, Vitech Equipments Private Limited (VEPL) and Vitech Fabricators Private Limited (VFPL), collectively known as Vitech Group (VG) as these entities are commonly promoted and controlled, are operating in similar line of business and have operational as well as financial linkages.

The ratings assigned to bank facilities of VHEPL remained constrained due to its moderate scale of operations, moderate financial risk profile, high working capital intensity of its operations and vulnerability of its profitability to volatility in raw material prices and stretched liquidity.

The ratings, however, derive strength from VG's experienced promoters, established track record of operations over three decades, its healthy profitability, diversified and reputed clientele.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained growth in Total Operating Income (TOI) above Rs. 120 crore while maintaining its existing Profit before interest, lease rental, depreciation and taxes (PBILDT) margin.
- Sustained improvement in Total Outside Liabilities/Tangible Net Worth (TOL/TNW) below 1.5x on sustained basis

#### Negative factors

- Decline in TOI below Rs. 70 crore and/or dip in PBILDT margin below 10% on a sustained basis
- Significant increase in working capital intensity or debt-funded capex leading deterioration in overall gearing above 2.5x on a sustained basis
- Increase in gross current assets days above 250 days

### Analytical approach: Combined

For arriving at VHEPL's credit rating, CARE Ratings' has taken combined view of VHEPL, VEPL and VFPL as both the entities are commonly promoted and controlled, operating in similar line of business and have operational and financial linkages.

### Outlook: Stable

### Detailed description of key rating drivers:

#### Key weaknesses

#### Moderate scale of operations

VG operates on a moderate scale within the large capital equipment segment, where its TOI is directly dependent on the inflow and execution of orders. In FY24, VG's TOI declined by around 14.62% to Rs.73.78 crore (FY23: Rs.86.41 crore), primarily due to a reduction in export orders and the execution of a high-value order in FY23. Domestic sales accounted for around 83% of its TOI for FY24, as against 69% in FY23.

For 9MFY25 (provisional), VG reported a TOI of Rs.44.77 crore. As of December 31, 2024, its order book stood at Rs.32.55 crore around 82% from Aquatech International LLC followed by 8% from Desment Ballestra group and 5% each from Larsen & Toubro Ltd and Suzler India Pvt Ltd., which is expected to be executed by March 2025.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

## Moderate financial risk profile

VG's capital structure remained moderate marked by overall gearing of 2.40x as on FY24 end (FY23 - 2.88x) on the back of low net worth base of Rs.21.43 crore. Further, VG's TOL/TNW remained at 3.34x for FY24 (FY23: 5.37x) which has improved due to reduction in current liabilities and augmentation of its net worth base.

Further, VG's debt coverage indicators marked by PBILDT interest coverage remained comfortable at 4.65x for FY24 (PY: 5.46x). However, total debt/GCA deteriorated to 6.84x due to dip in profitability in FY24 (PY: 5.42x).

## Susceptibility of margins to volatility in raw material prices

VG's major raw material includes different grades of steel. The raw material cost accounts for around 55-60% of the revenue. Steel prices are driven by international demand-supply dynamics and have exhibited a volatile trend in the past. Moreover, most of the orders are fixed price contracts with an execution time frame of around 2-10 months, exposing VG's profitability to steep variation in volatility in raw material prices. Nevertheless, as the manufacturing is order backed, majority of raw material is procured upon order acceptance, the price fluctuation risk is mitigated to some extent.

## Key strengths

### Experienced promoter with long track record operations

Founded in 1992 by Charles D'Souza, a Mechanical Engineer with over 30 years of experience in design and fabrication, VG has a long track record in the industry. The group is currently managed by his son, Vivek D'Souza. The group specializes in the design and fabrication of critical large-sized equipment, cladded and non-cladded pressure vessels, heat exchangers, skid-mounted packages, reactors, storage tanks among others.

### Diversified and reputed customer base

Over the years, the group has established strong relationships with key customers, including Larsen & Toubro Limited, Aquatech Group, Technip Energies India Limited, and Desment Ballestra Group among others. While VFPL and WEPL primarily executes contracts awarded by Larsen & Toubro group and Desment Ballestra group respectively, VHEPL caters to a diverse customer base across various industries. VHEPL's top 5 customers have contributed 90-95% of its TOI over the past three years.

## Healthy Profitability

VG's profitability is dependent on the type of contracts it undertakes. Contracts involving both material supply and labour typically have lower margins, while labour-only contracts, where the customer provides materials, offer higher profitability. In FY24, VG's PBILDT margin, albeit healthy, dip by 206 bps to 14.32%, primarily due to a difference in scope of contracts executed and few contracts with thin markup on cost.

## Liquidity: Stretched

The liquidity of VG is stretched due to low cash accruals, high gross current asset days and elongated operating cycle. VG has generated gross cash accruals of Rs. 7.51 crore for FY24 (FY23: Rs. 9.20 crore) against debt repayment of Rs. 4.6 crore and Rs. 7.50 crore in FY25 and FY26 respectively. VG's operations remained working capital intensive marked by high gross current asset days of 248 days (PY: 329 days) in FY24. VG's free cash and bank balance stood at Rs. Rs. 4.26 crore (FY23: Rs. 0.58 crore) and cash flow from operations stood at Rs. 16.58 crore in FY24 (FY23: -ve Rs. 2.57 crore). VG's current ratio stood at 1.41x for FY24 (FY23: 1.33x). Further, the average bank line utilisation for VHEPL for the past 12-months period ending February 2025 stood at 41.27% providing liquidity cushion.

**Environment, social, and governance (ESG) risks:** Not applicable

## Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Iron & Steel Products

Founded in 1992, VG is engaged in business of design and fabrication of heavy equipment. VG has manufacturing facility in 75,000 sq mtr area at Shahpur, Thane and 4300 sq mtr area at Rabale, Navi Mumbai. The group has specialisation in manufacturing of Critical Large Size Equipment, Cladded/Non-Cladded Pressure Vessels, Heat Exchangers, Skid Mounted Packages, Reactors, Storage Tanks etc. and caters to diversified industries.

Brief Financials - VG (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)	9MFY25 (Prov.)
Total operating income	86.41	73.78	44.77
PBILDT	14.15	10.56	NA
PAT	5.97	4.14	NA
Overall gearing (times)	2.88	2.40	NA
Interest coverage (times)	5.46	4.65	NA

UA: Unaudited NA: Not Available; Note: these are latest available financial results

Brief Financials - VHEPL (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (Prov.)
Total operating income	79.16	54.78	38.36
PBILDT	14.05	9.68	NA
PAT	6.51	4.01	NA
Overall gearing (times)	6.00	4.21	NA
Interest coverage (times)	6.58	4.81	NA

A: Audited Prov.: Provisional NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB+; Stable
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	15.85	CARE BB+; Stable / CARE A4+
Term Loan-Long Term		-	-	30-11-2027	14.15	CARE BB+; Stable

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Term Loan-Long Term	LT	14.15	CARE BB+; Stable				
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BB+; Stable				
3	Non-fund-based - LT/ST-Bank Guarantee	LT/ST	15.85	CARE BB+; Stable / CARE A4+				

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Term Loan-Long Term	Simple

#### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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