

## Vijai Electricals Limited

May 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	203.22	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	346.78	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Vijai Electricals Limited constrained from moderated profitability margins in FY24, exposure to volatility in raw material prices, tender-based operations and fragmented industry with presence of many unorganised players making the industry highly competitive. Further, with high-interest-bearing loans and significant reliance on working capital limits the cash outflows expect to be substantially high from FY26 resulting in stretched liquidity. However, ratings derive strength from experienced promoters with established operational track record, the increase in total operating income (TOI) in FY24 (refers to April 01 to March 31), moderate capital structure with comfortable net-worth base, improvement in operating cycle, diverse product profile within the transformer segment, and established client base.

The company's revenue base is expected to grow and remain upward in the coming fiscal backed by better order book position of Rs 1531 crores which provides short-term to medium term revenue visibility. Further, the company's operational performance in the current financial year (FY2025) has improved many folds compared to previous years. Company has achieved a topline of Rs. 758 Crores with an PBILDT of 12% for the year ended March 31, 2025.

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

#### Positive factors

- Increase in the scale of operation to above Rs.750 crore on a sustained basis
- PBILDT margin maintained at/or above 12% on sustained basis.

#### Negative factors

- Significant debt undertaken thereby adversely impacting the leverage and cashflow position.
- TD/GCA sustaining above 5.5x

### Analytical approach: Standalone

#### Outlook: Stable

The 'stable' outlook reflects VEL's ability to sustain growth in its scale of operations supported by healthy orderbook and extensive experience of the promoters in the industry, along with sustenance of its return indicators and moderate capital structure.

### Detailed description of key rating drivers:

#### Key Weaknesses

##### Moderate; albeit growing scale of operations and improving profitability

VEL had moderate scale of operations in range of ~₹170-370 crores in past four years trailing FY24. VEL had reported an improvement in performance in terms of total operating income with TOI of Rs.361.78 crore in FY24 (FY23: Rs. 163.39 crore). Also, at operating level, the company reported improvement with PBILDT increasing to about ~11% at Rs.40.54 crore led by increase in share of export sales which carries a higher margin. Further, the company's reliance on debt has been on a higher side. With increase interest costs, PAT margins moderated by about 1.82% at Rs. 6.57 crore.

In 10MFY25, the company reported total income of Rs.612 crore with PBILDT of Rs.96.96 crore and PAT of Rs.58.05 crore. Due to its slowdown of operation during 2012 and underutilization of added capacity caused financial stress leading the company to CDR cell. However, from 2016 company started reviving its project execution and exited from CDR in 2023. Further, started taking high value projects and its continuous participation in export tenders actively and service existing, historical & new clients has led to positive PBILDT and PAT margins during FY24. During FY25 PBILDT margins for 9MFY25 stands at ~15%. Further, the company has confirmed that it has achieved revenue of ₹758 crore for the full financial year FY25.

#### Exposure to volatility in raw material prices

The manufacturing of transformers requires various raw materials like Copper, Aluminium, Cold Rolled Grain Oriented Steel (CRGO) Core, Transformer Oil, Steel etc. The top 3 major raw materials are copper, CRGO core, and DPC aluminium strips which contributed around 36% of the total cost in FY24. Most of the materials are procured domestically with few raw materials procured from China. The prices of these commodities are volatile, and such may have an impact on profitability of VEL.

<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.

### **Competitive transformer market along with tender-based nature of operations**

Domestic transformer manufacturing industry is highly fragmented marked by presence of many players, especially for distribution transformers and thus remains competitive. Government works are tender-based allocations, and the revenue is largely dependent on company's ability to bid successfully for these tenders. Profitability margins come under pressure due to competitive industry. However, promoter's satisfactory industry experience of around two decades mitigates this risk to some extent. Players in the transformer industry also face multiple execution challenges such as lack of clearances for projects and weak financial health of distribution companies, which restricts the order inflow and impacts liquidity. Another major challenge continuing to beleaguer the sector apart from fragmentation in domestic market is imports from countries, such as China, leading to intense competition in the industry. Company has been trying to increase its supplies to private players, which is associated with higher margins and faster debtors' recovery.

### **Working capital-intensive operations:**

VEL operates in a working capital-intensive industry marked by extended receivable from government departments, state electricity boards, etc. and lower credit terms availed from major suppliers. Although the receivable days improved, they remained high due to slow payments from the state electricity board. State power distribution utilities have longer payment periods due to varying inspection and approval timelines and moderate financial health. As a result, the average collection period of the company stood at 305 days during FY24 with receivables from other major clients are backed by LCs, minimizing risk. The average working capital utilization levels have remained high at more than 95% for the past 12 months ended Feb 28, 2025.

### **Key Strengths**

#### **Experienced promoters with established track record of operations**

VEL is operational since 1973 and is one of the leading suppliers of Mainly engaged in manufacture and sale of Distribution Transformers of various Ratings Ranging from 5 KVA to 10 MVA, Cables and conductors and Projects Business depicting established track record of operations in electrical equipment industry.

VEL is promoted by Mr D.J. Ramesh, a technocrat with more than 50 years of experience in the electrical industry. He has done Several innovations in the transformer industry with patents with continuous Annealing process for AMDTs, Manufacturing Process of Amorphous alloy metal with high induction & low electro-magnetic loss and Manufacturing Process of three-phase transformer with triangular core structure. Other directors D Balavardhana Rao and Rama Krishna Reddy Garisa with more than a decade of experience strengthen the company's transformer business, continuously supporting in terms of management expertise.

#### **Reputed Client base:**

VEL supplies various Government entities as well as foreign players with an average revenue being 75:25 for domestic and exports in FY24. It participates in tenders floated by the State Electricity boards (SEBs) and others for the supply of transformers. The company is a registered vendor with various state government distribution utilities like Meghalaya Power Distribution Corporation Limited (MeDPCL), Uttar Gujarat Vij Company Limited (CARE AA/Positive, CARE A1+), Paschim Gujarat Vij Company Limited, Power Grid Corporation of India Limited (CARE AAA; Stable/CARE A1+), Dakshin Gujrat Vij Company Limited etc. VEL also have its global exposure with its global clients such as ENEL group Italy; an Italian electricity company, KKM AB etc. Long standing relationship coupled with proven track record of timely delivery and installation has led to repeat orders from these customers. The top five customers contributed 65% of its TOI in FY24.

#### **Comfortable leverage and coverage indicators**

The overall gearing of the company improved and remained comfortable at 0.36x as on March 31, 2024 (0.31x as of March 31, 2023). However, total debt as of February 28, 2025, increased led by increased in term debt borrowed from KMIL which were utilised to pay for the invocation of PBG. This resulted in slight deterioration of overall gearing to 0.37x. Despite deterioration, the same continues to remain comfortable. However, the net worth base remains to be comfortable at Rs 485.09 crores.

The PBILDT interest coverage ratio of the company improved to 1.27x in FY24 to 3.47x in FY24, owing to increase in scale and increased PBILDT levels. Further, the total debt to GCA improved and stood moderate at 13.18x in FY24 against 17.83x in FY23 due to high debt levels and moderate cash accrual levels during FY24.

#### **Product profile catering to various transformer requirement and low-capacity utilization:**

The company is engaged in the business of manufacturing and selling electrical distribution transformer which are utilized in providing the final voltage transformation (both step-up and step-down) in the electric power distribution system. The company manufactures various transformers and sale of Distribution Transformers of various ratings ranging from 5 KVA to 10 MVA, Cables and conductors and Projects Business with major client base being the distribution utilities/transmission companies and supplies to EPC players. It has an installed capacity of Rs 1750 crores in value comprising transformers of various sizes. VEL also manufactures Conductors (ACSR, Wessel, Dog and Rabbit) AB Cables (3 core 70 Sq mm + core) and Medium Voltage Covered Conductor (MVCC – from 35 Sq mm to 100 Sq mm), for use in the projects division of the Company. Further, VEL provides turnkey electrification solutions previously under Rajiv Gandhi Gramina Vidhyutikaran Yojana (RGGVY), Deen Dayal Upadhyay Gram Jyoti Yojana (DDUGJY) of the Indian government.

#### **Liquidity: Stretched**

The liquidity position of the company remains stretched. The average utilisation of the fund-based limits was 85.11% over April 2024 to February 2025, post the regularisation of its limits. Further, company's cash accruals are tightly matched with the

repayment obligations due to high priced loans. However, with a gearing of 0.31x as of March 31, 2024, and comfortable net-worth base at Rs 485 crores. Company has scope to raise essential debt needed for the business operations. Current ratio as of March 31, 2024, stood at 1.44x.

### Assumptions/Covenants: Not Applicable

### Environment, social, and governance (ESG) risks: Not Applicable

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Construction Sector](#)

[Financial Ratios – Non financial Sector](#)

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### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Heavy Electrical Equipment

Vijai Electricals Ltd. (VEL) was promoted as a proprietary concern in 1973 by Mr. D. J. Ramesh, as a small-scale unit to manufacture Transformers. In 1977, VEL was converted into a partnership concern and eventually incorporated as a private limited company in 1980 and subsequently converted into public limited company in 1992.

VEL is mainly engaged in manufacture and sale of Distribution Transformers of various ratings ranging from 5 KVA to 10 MVA, Cables and conductors and Projects Business. The company is having experience in Export Business of Transformers from India. The Company operates in three distinct divisions viz. Electrification Projects, Transformer Manufacturing and Cables & Conductors Manufacturing. They are the pioneers in introducing the single-phase Transformers and Amorphous Metal Distribution Transformers (AMDT) in the country. Further, the company has expanded its portfolio by undertaking turnkey electrification projects across India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	163.39	361.78	611.62
PBILDT	-31.08	40.54	96.96
PAT	14.42	6.57	58.05
Overall gearing (times)	0.31	0.36	-
Interest coverage (times)	-1.15	1.27	2.83

A: Audited UA: Unaudited; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	53.94	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	30-04-2028	149.28	CARE BB-; Stable
Fund-based - LT/ST-EPC/PSC		-	-	-	61.00	CARE BB-; Stable / CARE A4
Non-fund-based - LT/ST-BG/LC		-	-	-	285.78	CARE BB-; Stable / CARE A4

**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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	53.94	CARE BB-; Stable	-	-	-	-
2	Fund-based - LT-Term Loan	LT	149.28	CARE BB-; Stable	-	-	-	-
3	Non-fund-based - LT/ST-BG/LC	LT/ST	285.78	CARE BB-; Stable / CARE A4	-	-	-	-
4	Fund-based - LT/ST-EPC/PSC	LT/ST	61.00	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	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ST-EPC/PSC	Simple
4	Non-fund-based - LT/ST-BG/LC	Simple

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated: Not Applicable**

**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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