

Lakshmi Vacuum Heat Treaters private Limited

January 13, 2020

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long -term Bank Facilities	5.37	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; Issuer Not Cooperating)	Issuer not cooperating; Revised from CARE BB-; Stable (Double B Minus; Outlook Stable); Based on best available information
Total Facilities	5.37 (Rupees Five Crore Thirty-Seven Lakh only)		

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE has been seeking information Lakshmi Vacuum Heat Treaters Private Limited (LVHTPL) to monitor the rating vide e-mail communications/ letters dated May 16, 2019, June 11, 2019, October 14, 2019, December 2, 2019 and December 3, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on Lakshmi Vacuum Technologies Private Limited bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING***

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

The revision in the rating assigned to the bank facilities of Lakshmi Vacuum Heat Treaters Private Limited (LVHTPL) takes into account deterioration of capital structure and debt coverage indicators in FY19 (refers to period April 01 to March 31). The ratings continue to be tempered by small scale of operations and working capital intensive nature of operations. The rating is, however, underpinned by satisfactory track record, satisfactory profitability margins and long experience of promoters in the vacuum furnaces manufacturing industry.

Detailed description of the key rating drivers

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

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer Not Cooperating based on best available information

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](#)

[Criteria on assigning Outlook to Credit Ratings](#)

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

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

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.

Ms. K S Varalakshmi, director of the company, is also a director at Lakshmi Vacuum Technologies (LVTPL) engaged in manufacturing of vacuum furnaces. The Company is a sole supplier of furnaces to LVHPL.

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* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information

*Issuer not cooperating; on the basis of 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	3.37	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (03-Aug-18)	1)CARE B+; Stable (19-Mar-18)	1)CARE B+; Stable (18-Jan-17)
2.	Fund-based - LT-Cash Credit	LT	2.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (03-Aug-18)	1)CARE B+; Stable (19-Mar-18)	1)CARE B+; Stable (18-Jan-17)

*Issuer not cooperating; on the basis of best available information

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:

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