October 28, 2025

Lakshmi Vacuum Heat Treaters Pvt Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash Credit	2.00	5.00	[ICRA]BB- (Stable); Reaffirmed
Long-term – Fund-based –Term Loan	18.88	17.84	[ICRA]BB- (Stable); Reaffirmed
Long-term – Unallocated	2.85	0.89	[ICRA]BB- (Stable); Reaffirmed
Total	**23.73**	**23.73**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of the credit rating of Lakshmi Vacuum Heat Treaters Pvt. Ltd. (LVHTPL) reflects in ICRA's expectation of steady revenues and earnings in the company's vacuum furnace heat treatment services and its strong customer base to ensure repeat orders. LVHTPL has reported around 16% YoY increase in revenue in FY2025, underpinned by its promoters' two-decade-long expertise in heat treatment services and repeat orders. The profit remains healthy, with an operating profit margin (OPM) of approximately 29% in FY2025, indicating efficient cost management and operational strength. LVHTPL also benefits from a diversified client base, with its top 10 customers contributing about 21% of revenues in FY2025.

However, the rating continues to be constrained by the company's relatively small scale of operations and an average financial risk profile, marked by a moderately leveraged capital structure and modest debt protection metrics. The liquidity remains stretched, with tightly matched cash flows against repayment obligations and limited flexibility in the working capital limits. The company is also vulnerable to cyclicality in its end-user sectors, such as automobiles and aerospace, and any slowdown in these industries may impact the order flow of the company.

The Stable outlook reflects ICRA's expectation that LVHTPL will maintain revenues and earnings, current credit profile, supported by promoter experience and established customer relationships.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in heat treatment industry – LVHTPL was established in 2003 to provide vacuum heat treatment services to various industries such as auto components, hardware tools and metal parts. The promoters, Mr. LN Prasad and Ms. KS Varalakshmi, have more than two decades of experience in the heat treatment industry. The presence of the group entity, Lakshmi Vacuum Technologies Private Limited (LVTPL; rated [ICRA]BB-(Stable)/[ICRA]A4), which manufactures vacuum furnaces helps the group in understanding customer requirements. LVHTPL's track record enables it to secure repeat orders from its customers.

Healthy profitability indicators – LVHTPL's revenue growth has been healthy in FY2025 supported by repeat orders and expanding capacity of vacuum furnaces. The revenue grew by 16% YoY in FY2025. The operating margins have remained healthy at around 30% in FY2025 and likely to remain largely stable in the near term.

Diversified client base with repeat orders from few clients – LVHTPL has a diversified client base with customers majorly from the automobile, defense and engineering sectors. The client concentration remained moderate with LVHTPL's top 10 customers generating around 21% of its total sales in FY2025. The industry outlook for heat treatment in India is expected to remain favourable with the likely growth in automobile, aerospace and defense sectors.

Credit challenges

Small scale of operations – LVHTPL's scale of operations has remained small over the years, though it increased to around Rs. 38 crore in FY2025 and is expected to improve by 10-15% in FY2026. The small scale exposes the company to the risk of business downturn and its ability to absorb any temporary disruption and fixed costs.

Leveraged capital structure and modest debt protection metrics – LVHPL's profit margins have remained healthy in the past, reflected in an OPM of 25-30% during FY2023-FY2025. The overall financial risk profile, however, remains average with a small net worth base of Rs. 18.0 crore and a gearing of 1.6 times as on March 31, 2025. The debt protection metrics also remained moderate due to the debt-funded capex undertaken by the company in the recent past and the relatively high debt payments, reflected in an interest cover of 4.3 times, Total Debt/OPBDITA of 2.6 times and DSCR of 1.1 times in FY2025.

Exposure to cyclicality inherent in the automobile industry; operating margin susceptible to competitive intensity – The revenues from the heat treatment division is exposed to the cyclicality inherent in the automobile industry as it derives a major portion of its revenues from the sector, accentuating the risk of demand volatility. Also, LVHPL's operating profitability is exposed to competition.

Liquidity position: Stretched

LVHPL's liquidity is stretched with limited free cash and bank balance (Rs. 0.17 crore as on March 31,2025) and high utilisation of working capital limits, averaging around 87% during the period March 2024–August 2025. The company has repayment obligations of around Rs. 6-7 crore each during FY2026-FY2028. The company is undertaking capex of Rs. 18 crore in FY2026, against which it has sanctioned term loans of around Rs. 16.8 crore.

Rating sensitivities

Positive factors – ICRA could upgrade LVHPL's ratings if the company is able to scale up its operations while maintaining healthy profit margins, leading to an improvement in the key credit metrics and the liquidity position on a sustained basis.

Negative factors – Pressure on LVHPL's ratings may arise if there is any significant decline in scale and profitability, leading to a deterioration in the key credit metrics. A stretch in the receivable cycle or any large capex weakening the liquidity may also lead to a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on LVHTPL's standalone financial statements.

About the company

Established in 2003, LVHTPL is involved in providing vacuum heat treatment services for carrying out processes such as hardening and tempering, annealing and stress relieving, brazing, sintering, nitriding, etc. LVHTPL procures vacuum furnaces from its promoter company, Lakshmi Vacuum Technologies Private Limited (LVTPL), which is then used for the heat treatment process. Heat treatment is used for auto components, hardware tools and metal parts, etc. After the heat treatment process, the components are used by various industries as per their applications.

Key financial indicators (audited)

LVHTPL Standalone	FY2024	FY2025*
Operating income	33.4	38.8
PAT	3.0	2.2
OPBDIT/OI	27.8%	29.8%
PAT/OI	9.0%	5.6%
Total outside liabilities/Tangible net worth (times)	2.6	2.8
Total debt/OPBDIT (times)	3.0	2.6
Interest coverage (times)	4.3	4.4

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation. *Provisional*

Status of non-cooperation with previous CRA

	Ratings	Date
CARE Ratings	CARE B- Stable; ISSUER NOT COOPERATING	October 16, 2025

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Oct 28 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based-Cash Credit	Long Term	5.00	**[ICRA]BB-(Stable)**	July 11, 2024	[ICRA]BB-(Stable); ISSUER NOT COOPERATING	-	-	Jan 19, 2023	[ICRA]B+ (Stable)
				Apr 30, 2024	[ICRA]BB-(Stable)	-	-	-	-
				Sep 19, 2024	[ICRA]BB-(Stable)	-	-	-	-
Fund-based-Term loan	Long Term	17.84	**[ICRA]BB-(Stable)**	July 11, 2024	[ICRA]BB-(Stable); ISSUER NOT COOPERATING	-	-	Jan 19, 2023	[ICRA]B+ (Stable)
				Apr 30, 2024	[ICRA]BB-(Stable)	-	-	-	-
				Sep 19, 2024	[ICRA]BB-(Stable)	-	-	-	-
Unallocated	Long Term	0.89	**[ICRA]BB-(Stable)**	July 11, 2024	[ICRA]BB-(Stable); ISSUER NOT COOPERATING	-	-	Jan 19, 2023	[ICRA]B+ (Stable)
				Apr 30, 2024	[ICRA]BB-(Stable)	-	-	-	-
				Sep 19, 2024	[ICRA]BB-(Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund based - Cash credit	Simple
Long Term – Fund Based - Term loan	Simple
Long Term - Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	**Fund-based Cash credit**	NA	NA	NA	5.00	[ICRA]BB-(Stable)
-	**Fund-based - Term loan**	Nov 2019	NA	Jan 2027	17.84	[ICRA]BB-(Stable)
-	**Unallocated**	NA	NA	NA	0.89	[ICRA]BB-(Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not applicable

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