

Press Release

Venus India

October 17, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.29 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of **'ACUITE BB' (read as ACUITE double B)** and short-term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 20.29 crore bank facilities of Venus India. The outlook is **'Stable'**.

Moradabad, U.P.-based, Venus India (VI) is a partnership firm established in 1994, and it started operations in 1996. The group is engaged in the manufacturing and export of stainless steel hand-forged flat-ware, silver-plated cutlery, and tableware and barware. The group is managed by partners Mr. Mohammad Shakeel and Mr. Mohammad Saeed and its manufacturing facility is in Moradabad, Uttar Pradesh.

About the group

Venus Group is promoted by Mr. Mohammad Shakeel and Mr. Mohammad Saeed. The group consist of 4 entities i.e. Venus India, Venus Gift, Venus Flatware Private Limited and Venus Automobiles Private Limited. Venus Automobiles Private Limited is engaged in dealing of Ford Motors in Moradabad in the name of 'Venus Ford'. All the other entities in the group are engaged in manufacturing and export of stainless steel hand-forged flat-ware, silver-plated cutlery, and tableware and barware to the US and Europe.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of Venus India, Venus Gift and Venus Flatware Private Limited together referred to as Venus Group. The consolidation is in view of similar line of business, significant financial linkages and common management. Extent of consolidation: Full.

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

The promoters of the group, Mr. Mohammad Shakeel and Mr. Mohammad Saeed, have experience of more two decades in the same industry. The extensive experience of the promoters have helped them to develop healthy relationship with its customers and suppliers. The key clients of the group are H&M, Asda Stores Ltd, Williams Sonoma Inc, Cambridge Silver Smiths, Life Time Brands, Bed Bath Beyond, Marks And Spencer Plc and Lenox Corporation. Venus India has an order book position of about Rs. 22.00 crore as on September 1, 2019.

• Healthy financial risk profile

The financial risk profile is healthy marked by moderate net worth and comfortable debt protection measures and strong gearing. The net worth of the group is modest at Rs. 26.78 crore as on 31 March, 2019 as against Rs. 24.78 crore as on 31 March, 2018. The gearing of the group stood at 0.58 times as on 31 March, 2019 as against 0.56 times as on 31 March, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.98 times as on 31 March, 2019 as against 0.91 times as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 3.60 times in FY2019 as against 3.92 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.17 times as on 31 March, 2019 as against 0.20 times as on 31 March, 2018.

Acuite believes that the financial risk profile of the group will continue to remain healthy over the medium term on account of its improving scale of operations in absence of major debt funded capex plan over medium term.

Weaknesses

• Fluctuation in operating income and profitability

The group reported decline in revenue by ~48 per cent with operating income of Rs. 69.86 crore in FY2017 as against operating income of Rs. 36.36 crore in FY2018. However, the revenue for FY2019 stood at Rs.37.02 crore. The reason for decline in the revenue is that the group wanted to leave their existing clients and moved to reputed clients, which will give them stable business in future. The operating margins of the company declined to 4.90 per cent in FY2018 from 13.41 per cent in FY2017. However, in FY2019 the operating margins stood at 9.71 per cent. The PAT margin also declined in FY2018 and FY2019 i.e. from 10.74 per cent in FY2017 to 3.93 per cent in FY2018 and 3.59 per cent in FY2019.

• Intensive working capital operations

The group have intensive working capital operations marked by high Gross Current Assets (GCA) of 403 days in FY2019 as against 331 days in FY2018. The group maintains inventory of around 150-190 days on an average and extends credit of around 60 days to its customers resulting in high GCA days. The inventory and debtor levels stood at 193 days and 60 days in FY2019 as against 147 days and 47 days in FY2018, respectively. As a result, the average utilization of bank limits stood high at ~85 per cent in the last ten months ending 31 July, 2019.

Rating Sensitivity Factor

- Sustainability of association with major clients such as H&M, Asda Stores Ltd and Marks And Spencer Plc.

Material Covenants

None

Liquidity position

The group have adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 2.63 crore for FY2019. The cash accruals of the group are estimated to remain around Rs. 2.93 to Rs.3.93 crores, while the debt maturity obligation are estimated to be Rs. 0.35 crore each year for year 2020 and 2021. The group's operations are working capital intensive as marked by high gross current asset (GCA) days of 403 in FY 2019. This has led to higher reliance on working capital borrowings, the packing credit limit in the group remains utilized at ~85 per cent during the last 10 months period ended July, 2019. The group maintains unencumbered cash and bank balances of Rs.1.43 crore as on March 31, 2019. The current ratio of the group stood healthy at 1.74 times as on 31 March 2019. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy net cash accrual and no major repayments over the medium term. However, currency fluctuation risk will be key rating sensitivity.

Outlook: Stable

Acuite believes that the group will maintain 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in the group's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	37.02	36.36	69.86
EBITDA	Rs. Cr.	3.59	1.78	9.37
PAT	Rs. Cr.	1.33	1.43	7.50
EBITDA Margin	(%)	9.71	4.91	13.41
PAT Margin	(%)	3.59	3.94	10.74
ROCE	(%)	5.79	6.69	50.89
Total Debt/Tangible Net Worth	Times	0.58	0.56	0.37
PBDIT/Interest	Times	3.60	3.92	10.23
Total Debt/PBDIT	Times	4.25	3.65	0.91
Gross Current Assets (Days)	Days	403	331	93

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of companies- <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Packing credit	Not Applicable	Not Applicable	Not Applicable	14.00*	ACUITE BB/ Stable (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.79	ACUITE BB/ Stable (Assigned)
FABC/FOBP	Not Applicable	Not Applicable	Not Applicable	5.00*	ACUITE A4+ (Assigned)
Standby limit (Gold card scheme)	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/ Stable (Assigned)

*Packing credit and FOBP/FABC have a combined ceiling of Rs. 16.50 crore.

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About Acuité Ratings & Research:

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