

Press Release

Venus Stampings Private Limited (VSPL)

23 January, 2017

Rating Reaffirmed

| | |
|-------------------------------------|------------------------------------|
| Total Bank Facilities Rated* | Rs.13.00 Cr |
| Long Term Rating | SMERA BBB-/Stable (Reaffirmed) |
| Short Term Rating | SMERA A3+ (upgraded from SMERA A3) |

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.9.50 crore bank facilities of Venus Stampings Private Limited (VSPL) and upgraded the short-term rating on the Rs.3.50 crore bank facility to '**SMERA A3+**' (read as **SMERA A three plus**) from SMERA A3 (read as SMERA A three). The outlook is '**Stable**'.

VSPL was incorporated in 1985 by Mr. D. N. Kathuria. The company is engaged in the manufacture of laminations for magneto, alternators, armature, and stator motors that find application in automobiles and electrical generators. The management has experience of over three decades in the company's line of business.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters: The promoters, Mr. Sajeew Kathuria, Mrs. Sangeeta Kathuria and Mr. R. D. Kathuria possess experience of over three decades in the aforementioned business.

Moderate financial risk profile: The financial risk profile continues to be healthy with low gearing of 0.93 times as on March 2016. The interest coverage is comfortable at 4.11 times in FY2016 as compared to 3.64 times in FY2015. The debt protection matrices remain comfortable with DSCR of 1.91 times and Net Cash Accruals to Total Debt (NCA/TD) at 0.31 times in FY2015-16 as compared to 1.14 times and 0.32 times respectively in FY2015. The working capital cycle stands at 10 days in FY2015-16 as compared to 08 days in the previous year. The average bank limit utilisation stood at 67.53 percent from April 2016 to September 2016. The profitability margin has been comfortable with operating margin of 8.46 percent and net profitability margin of 3.02 per cent in FY2015-16 as compared to 7.89 per cent and 3.05 per cent respectively in FY2014-15.

Efficient working capital cycle management: The working capital cycle days stand comfortable at 10 days as on 31 March, 2016 as compared to 8 days in the previous year. The inventory holding period improved to 22 days in FY2015-16 from 37 days in FY2014-15. The company offers credit period of around 60 days to customers and enjoys around 90 days from suppliers. SMERA also notes that the average cash credit utilisation stands at ~67 per cent for the period April 2016 to August 2016.

Weaknesses:

Exposure to cyclicalilty in the automobile industry: The company is exposed to cyclicalilty inherent in the automobile industry.

Competitive and fragmented industry: The ratings factor in the intense competition in the equipment manufacturing industry.

Exposure to raw material fluctuation risk: Prices of key raw material (hot rolled strips) are highly volatile in nature as most are imported from China. Any unforeseen fluctuations in the prices of HR - Strips, may impact profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that VSPL will maintain a stable outlook in the medium term owing to the established operations and extensive experience of the promoters in the business. The outlook may be revised to 'Positive' in case of improvement in the operating income and profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the operating income and profitability.

About the rated entity

The Faridabad-based, VSPL was promoted by Mr. D. N. Kathuria in 1985. The company is engaged in stamping manufacturing of laminations for magneto, alternators, armature, and stator motors, etc., which find application in automobiles and electrical generators. The manufacturing facilities are located at Faridabad, Haryana with capacity of 15000 MT.

The company reported net profit of Rs.2.75 crore on operating income of Rs.90.93 crore in FY2015-16, as compared with net profit of Rs.2.68 crore on total income of Rs.87.62 crore in FY2014-15. The company achieved operating income of ~Rs. 45.60 crore till H1FY2017. The net worth stood at Rs.15.39 crore as on 31 March, 2016 as against Rs.12.65 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Non availability of information

Any other information: N.A

Rating History for the last three years:

| Name of Instrument /Facilities | 2017 | | | 2016 | | 2015 | | 2014 | |
|--------------------------------|-------|--------------------|------------------------------------|------|--------|-------------|------------------------------|------|--------|
| | Scale | Amount (Rs. Crore) | Rating with Outlook | Date | Rating | Date | Rating | Date | Rating |
| Term Loan | LT | 2.50 | SMERA BBB-/Stable (Reaffirmed) | - | - | 23 Nov 2015 | SMERA BBB-/Stable (Assigned) | - | - |
| Cash Credit | L T | 7.00 | SMERA BBB-/Stable (Reaffirmed) | - | - | 23 Nov 2015 | SMERA BBB-/Stable (Assigned) | - | - |
| Letter of Guarantee | ST | 3.50 | SMERA A3+ (upgraded from SMERA A3) | - | - | 23 Nov 2015 | SMERA A3 (Assigned) | - | - |

***Annexure – Details of instruments rated:**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/ Outlook |
|------------------------|------------------|-------------|---------------|-------------------------------|------------------------------------|
| Term Loan | N.A | N.A | January 2019 | 2.50 | SMERA BBB-/Stable (Reaffirmed) |
| Cash Credit | N.A | N.A | N.A | 7.00 | SMERA BBB-/Stable (Reaffirmed) |
| Letter of Guarantee | N.A | N.A | N.A | 3.50 | SMERA A3+ (Upgraded from SMERA A3) |

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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