

Press Release

Venus Stampings Private Limited (VSPL)

March 21, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed a long term rating of **SMERA BBB- (read as SMERA triple B minus)** and a short term rating of **SMERA A3+ (read as SMERA A three plus)** to the Rs. 13.00 crore bank facilities of Venus Stampings Private Limited (VSPL). 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.

Key Rating Drivers

Strengths

- **Experienced promoters**

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

- **Comfortable financial risk profile:**

The financial risk profile is marked by moderate network, comfortable gearing and healthy debt protection measures. The network stood at Rs 17.60 crore as on 31 March, 2017 as compared to Rs. 15.39 crore as on 31 March, 2016. The debt equity stands at 0.61 in FY2017 times as compared to 0.93 in the previous year. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.38 times while Debt Service Coverage (DSCR) stood at 1.87 times as on March 31, 2017. The Interest Coverage Ratio stood at 4.06 times in FY2017 as compared to 4.12 times in FY2016.

- **Efficient working capital management:**

The working capital cycle days stand comfortable at 5 days as on 31 March, 2017. The GCA days stood at 91 days in FY17 as against 89 days in FY16. The inventory holding period improved to 26 days in FY2016-17 from 22 days in FY2015-16. The debtor days stood at 65 in FY17 as against 62 in FY16. The company offers credit period of around 60 days to customers and enjoys around 90 days from suppliers.

Weaknesses

- **Exposure to cyclicalities in the automobile industry along with competitive and fragmented industry:**

The company is exposed to cyclicalities inherent in the automobile 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 Venus Stampings Private Limited to arrive at the rating

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 - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	92.34	90.93	87.66
EBITDA	Rs. Cr.	6.50	7.77	7.70
PAT	Rs. Cr.	2.21	2.75	4.84
EBITDA Margin	(%)	7.04	8.55	8.78
PAT Margin	(%)	2.39	3.02	5.52
ROCE	(%)	16.27	20.27	48.47
Total Debt/Tangible Net Worth	Times	0.61	0.93	0.99
PBDIT/Interest	Times	4.06	4.12	3.99
Total Debt/PBDIT	Times	1.55	1.82	1.56
Gross Current Assets (Days)	Days	91	89	111

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23, January 2017	Cash Credit	Long Term	7.00	SMERA BBB-/ Stable (Reaffirmed)
	Term Loan	Long Term	2.50	SMERA BBB-/ Stable (Reaffirmed)

	Letter of Credit	Short term	3.50	SMERA A3+ (Upgraded)
23, November 2015	Cash Credit	Long Term	7.00	SMERA BBB-/ Stable (Assigned)
	Term Loan	Long Term	2.50	SMERA BBB-/ Stable (Assigned)
	Bank Guarantee	Short term	3.50	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BBB-/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BBB-/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A3+ (Reaffirmed)

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ABOUT SMERA

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