

Press Release

Venus Industrial Corporation Private Limited (VICPL)

15 February, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short term rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as SMERA double BB minus) and short term rating of '**SMERA A4**'(read as SMERA A four) on the Rs 17.00 crore bank facilities of Venus Industrial Corporation Private Limited(VICPL). The outlook is '**Stable**'.

VICPL incorporated in 1996 is engaged in the manufacturing of precision sheet metal components primarily to the automotive industry. The company manufactures door hinges, handle of hand brakes, clutch parts and other fabricated and stamped components for original equipment manufacturers (OEMs). Company's four manufacturing facilities are located at Faridabad, Haryana.

Key Rating Drivers

Strengths

- **Experienced promoters and established track record**

VICPL is managed by Kathuria family, Mr. Dwarka Nath Kathuria, Mr. R.D. Kathuria and Mr. Krishan Lal Kathuria directors of the company. Management of company has more than four decades of experience in the automobile product manufacturing business and industry.

- **Reputed clientele**

The clientele of the company include several reputed players like Maruti Suzuki, Honda Cars Limited, Tata Motors, and Ford (India) Private Limited. Company has maintained long established relationships with these clients.

- **Moderate financial risk profile**

The Company has above average financial risk profile marked by moderate net worth, comfortable gearing and thin profitability. The net worth of the company stood at Rs. 21.50 crores in FY2017 as compared to Rs. 20.68 crores in FY2016. The gearing ratio of company stood at 1.73 times in FY2017 as compared to 2.21 times in FY2016. The Interest coverage ratio (ICR) stood at 2.10 times in FY2017 as compared to 2.31 times in FY2016. The company had a low DSCR of 0.99 times in FY2017 compared to 1.05 times FY2016.

Weaknesses

- **Decline in operating and profitability Margins**

The EBITDA margins of the company have declined to 3.82 percent in FY2017 as compared to 6.69 percent in FY2016. Further the PAT margins of company stood thin at 0.35 percent in FY2017 as compared to 1.07 percent in FY2016.

• Exposed to risk related with raw material fluctuation

The Company is exposed to raw material fluctuation risk. The company use HR strips as raw material for the manufacturing and any unforeseen fluctuation in the prices of HR – Strips will impact profitability and margins of the company.

• Competitive and fragmented nature of business

The Company is engaged in the manufacturing of precision metal components. The industry is marked by the presence of several mid to large size player which led to intense competition to the company. Thus the bargaining power of the company is very low.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone business and financial risk profiles of VICPL.

Outlook: Stable

SMERA believes VICPL will maintain its moderate business risk profile in the medium term on the back of established operations and long standing experience of the promoter in the business. The outlook may be revised to 'Positive' in case of improvement in profitability and capital structure while increase in the scale of operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	232.98	224.27	200.35
EBITDA	Rs. Cr.	8.90	15.00	12.35
PAT	Rs. Cr.	0.82	2.40	0.31
EBITDA Margin	(%)	3.82	6.69	6.16
PAT Margin	(%)	0.35	1.07	0.16
ROCE	(%)	10.76	15.55	9.96
Total Debt/Tangible Net Worth	Times	4.53	5.11	5.06
PBDIT/Interest	Times	2.10	2.31	1.96
Total Debt/PBDIT	Times	3.17	3.05	3.52
Gross Current Assets (Days)	Days	81	97	95

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

None

Any other information

Not Any

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
5th Dec 16	Cash Credit	Long Term	12.00	SMERA BB-/ Stable (Upgraded)
	Letter of Credit	Short Term	2.50	SMERA A4 (Rating Reaffirmed)
	Proposed Facility	Short Term	2.50	SMERA A4 (Rating Reaffirmed)
30th Nov 15	Cash Credit	Long Term	12.00	SMERA B+/ Stable (Rating Assigned)
	Letter of Credit	Short Term	5.00	SMERA A4 (Rating 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	12.00	SMERA BB-/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.88	SMERA BB-/ Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.62	SMERA A4

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ABOUT SMERA

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