

Press Release

Venus Industrial Corporation Private Limited

July 27, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 30.50 Cr. (enhanced from Rs.17.00 crore)
Long Term Rating	ACUITE BB / Outlook: Stable (Upgraded from ACUITE BB-)
Short Term Rating	ACUITE A4+ (Upgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating to '**ACUITE A4+**' (**read as ACUITE A four plus**) from '**ACUITE A4**' (**read as ACUITE A four**) on the previous facility of Rs.17.00 crore. Further, Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the bank facility of Rs.13.50 crore for Venus Industrial Corporation Private Limited (VICPL). The outlook is '**Stable**'.

The upgrade is driven by sustainable growth in operating revenue and margins, supported by increase in net cash accruals. Acuité believes that going ahead VICPL will be able to sustain growth in revenues over the medium term. However, sustaining its current financial risk profile while undergoing debt funded capex will remain a key rating sensitivity factor.

Venus Industrial Corporation Private Limited (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). The four manufacturing facilities are located at Faridabad (Haryana) with total installed capacity of 35000 MTPA.

Key Rating Drivers

Strengths

- Experienced promoters and established track record**

VICPL is managed by Mr. Dwarka Nath Kathuria, Mr. R.D. Kathuria and Mr. Krishan Lal Kathuria who are the Directors of the company. The management of the 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. The company has maintained long established relationship with these clients.

- Moderate financial risk profile**

The financial risk profile is driven by moderate net worth of Rs.28.73 crore as on 31 March, 2018 (Provisional) as compared to Rs.26.36 crore as on 31 March, 2017. The net worth includes unsecured loans from promoters of Rs.4.86 crore which are subordinated to bank facilities and will remain in business. The gearing ratio (debt equity) stood at 1.12 times as on 31 March, 2018 (Provisional) and 1.23 times in the previous year. The interest coverage ratio stood at 2.74 times in FY2018 (Provisional) which has improved from 2.10 times in FY2017. The Debt Service Coverage Ratio (DSCR) stood at 1.17 times in FY2018 (Provisional).

Weaknesses

- **Thin profitability margins**

The profitability margins stood thin at 0.88 percent in FY2018 (Provisional) and 0.35 percent in FY2017. Acuité believes profitability will remain thin due to proposed capital expenditure which is to be funded through debt.

- **Exposed to risk related with raw material fluctuation**

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

- **Competitive and fragmented industry**

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

Analytical Approach

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

Outlook: Stable

Acuité believes VICPL will maintain 'Stable' outlook over medium term supported by 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 increasing in the scale of operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial profile due to debt funded capex or stretch in liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	267.66	232.98	224.27
EBITDA	Rs. Cr.	13.37	8.90	15.00
PAT	Rs. Cr.	2.37	0.82	2.40
EBITDA Margin	(%)	5.00	3.82	6.69
PAT Margin	(%)	0.88	0.35	1.07
ROCE	(%)	13.70	6.40	30.15
Total Debt/Tangible Net Worth	Times	1.12	1.23	1.60
PBDIT/Interest	Times	2.74	2.10	2.31
Total Debt/PBDIT	Times	2.39	2.75	2.72
Gross Current Assets (Days)	Days	69	81	97

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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>

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15- Feb-2018	Cash Credit	Long Term	12.00	ACUITE BB-/ Stable (Reaffirmed)
	Term Loan	Long Term	3.88	ACUITE BB-/ Stable (Reaffirmed)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Proposed Facility	Short Term	0.62	ACUITE A4 (Reaffirmed)
05-Dec-2016	Cash Credit	Long Term	12.00	ACUITE BB- / Stable (Upgraded)
	Letter of Credit	Short Term	2.50	ACUITE A4 (Reaffirmed)
	Proposed Short Term Loan	Short Term	2.50	ACUITE A4 (Reaffirmed)
30-Nov-2015	Cash Credit	Long Term	12.00	ACUITE B+ / Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4 (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	ACUITE BB / Stable (Upgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.85	ACUITE A4+ (Upgraded)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.27	ACUITE A4+ (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.88	ACUITE BB / Stable (Upgraded)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE BB / Stable (Assigned)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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