

Press Release

Vinayak TMT Bars Private Limited

June 06, 2022



Rating Upgraded

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|---------------------------------|----------------------|
| Bank Loan Ratings | 12.00 | - | ACUITE A2 Upgraded |
| Bank Loan Ratings | 47.96 | ACUITE BBB+ Stable Upgraded | - |
| Total Outstanding Quantum (Rs. Cr) | 59.96 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BBB**' (read as **ACUITE Triple B**) and the short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 59.96 crore bank facilities of Vinayak TMT Bars Private Limited (VTPL). The outlook is '**Stable**'.

Reason for upgrade

The rating upgrade takes into account the improved business and financial performance of VTPL. The revenue of the Company improved to Rs. 808.71 Cr for FY2022 (Provisional) as against Rs.525.39 Cr for FY2021. The growth is both volume and value driven. Further, the financial risk profile VTPL continues to remain healthy marked by low gearing, moderate networth and healthy debt protection metrics. The overall gearing of VTPL improved to 0.65 times as on March 31, 2022 (Provisional) as against 0.64 times as on 31 March 2021 and 1.52 times as on March 31, 2020. The working capital management is efficient marked by Gross Current asset days of 43 days as on March 31, 2022 (Provisional).

About the Company

VTPL is an Ahmedabad-based company incorporated in 2008, by Mr. Karsanbhai Patel and others. VTPL manufactures TMT Bars and MS Billets and caters primarily to the real estate and infrastructure sectors. The company had undertaken a capacity expansion plan in FY2019-20 and has increased its capacity for TMT bars to 300000 tons per annum from 144000 tons per annum.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of VTPL to arrive at this rating.

Key Rating Drivers

Strengths

> Experienced management

VTPL is Ahmedabad based TMT bar manufacturer. It sells its products under the brand 'Vinayak 500'. It has a dealer network of around 35 dealers primarily in Gujarat. It was incorporated in 2008. It is managed by Mr. Karsanbhai Patel, Mr. Prakashbhai Karshanbhai Patel, Mr. Vasant Shivdasbhai Patel and Mr. Priyankumar Rajubhai Parikh. The Directors hold experience of more than a decade in the steel industry. Prior to incorporating VTPL, the Directors were engaged in other businesses in cold storage, manufacturing of ceramic, building construction materials, dyes and intermediates in Gujarat.

Acuité believes that VTPL will continue to benefit from its experienced management in the iron and steel industry and long term relationships with dealers.

> Healthy financial risk profile

The financial risk profile of VTPL is healthy marked by moderate net worth, healthy debt protection measures and modest gearing. The net worth stood at Rs.60.73 Cr as on 31 March, 2022 (Provisional) as against Rs. 54.31 Cr as on 31 March, 2021 and Rs. 38.38 Cr as on March 31, 2020. The improvement is primarily on account of accretion of profits to reserves. The total debt stood at Rs. 41.37 Cr as on March 31, 2022 (Provisional) out of which Rs. 27.54 Cr was unsecured loans from promoters/directors, Rs.7.65 Cr was long term borrowings and Rs. 6.18 Cr short term debt. The gearing of VTPL stood at 0.68 times as on March 31, 2022 (Provisional) as against 0.64 times as on 31 March 2021 and 1.52 times as on March 31, 2020. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 1.48 times as on 31 March, 2022 (Provisional) as against 0.90 times as on 31 March, 2021 and 1.95 times as on March 31, 2020. Interest Coverage Ratio (ICR) declined to 3.48 times in FY2022 (Provisional) as compared to 5.18 times in FY2021 on account of decline in profitability. Debt Service Coverage Ratio (DSCR) stood at 2.05 times for FY2022 (Provisional) as against 3.04 times in FY2021 and 1.51 times in FY2020. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.29 times as on 31 March, 2022 (Provisional) as against 0.68 times as on 31 March, 2021 and 0.12 times as on March 31, 2020.

Acuité believes that the financial risk profile of VTPL will continue to remain healthy over the medium term on account of its moderately conservative leverage policy.

> Efficient working capital management

The working capital management of VTPL is efficient, marked by Gross Current asset days of 43 days as on March 31, 2022 (Provisional) as against 38 days as on March 31, 2021 and 49 days as on March 31, 2020. The receivables days stood at 16 days as on March 31, 2022 (Provisional) and March 31, 2021 as against 13 days as on March 31, 2020. The inventory holding period improved to 15 days as on March 31, 2022 (Provisional) as compared to 17 days as on March 31, 2021 and 27 days as on March 31, 2020. The payables period has stood at 12 days as on March 31, 2022 (Provisional) as against 5 days as on March 31, 2021 and 11 days as on March 31, 2020. Further, the average bank limit utilization ranged around ~45-65 per cent for the last twelve months ended in March 2022.

Weaknesses

> Thin Profitability margins

VTPL's operating margins and net profit margins stood at 2.36 percent and 0.79 percent respectively in FY2022 (Provisional) as against 6.79 percent and 3.02 percent respectively in FY2021 and 2.56 percent and 0.35 percent respectively in FY2020. The decline in margins in FY2022 is primarily because of higher raw material prices. While, the improvement in margins in FY2021 was mainly on account of reduction in power and fuel costs. The Company's profitability is susceptible to fluctuations in raw material prices. Acuité believes that VTPL's ability to maintain its profitability will remain a key rating monitorable.

> Intense competition and inherent cyclicality in the steel industry

The steel industry is heavily fragmented and unorganized. VTPL is exposed to intense competitive pressures from a large number of organized and unorganized players along with its exposure to inherent cyclical nature of the steel industry.

Rating Sensitivities

- > Ability to maintain profitability and scale of operations will be a key rating sensitivity.
- > Any elongation in the working capital cycle will be key a monitorable.

Material covenants

None

Liquidity Position: Adequate

VTPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. VTPL generated cash accruals in the range Rs. 12-24 Cr during the last two years through 2021-2022, while its maturing debt obligations were in the range of Rs.2.87 – 3.04 Cr over the same period. The cash accruals of VTPL are expected to remain around Rs. 15-23 crore during 2023-24 while its repayment obligation is estimated to be around Rs.2-6 crore during the same period. VTPL has efficient working capital management marked by gross current asset (GCA) days of 43 in FY 2022 (Provisional) and 38 in FY2021. This has led to moderate reliance on working capital borrowings, the cash credit limit in VTPL remains utilized at ~45-65 percent during the last twelve months ended March 2022. The current ratio stood at 1.96 times as on March 31, 2022.

Outlook: Stable

Acuité believes that VTPL will maintain a stable outlook over the medium term owing to its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in revenue while maintaining operating margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue or operating margins.

Key Financials

| Particulars | Unit | FY 22 (Provisional) | FY 21 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 808.71 | 525.39 |
| PAT | Rs. Cr. | 6.39 | 15.85 |
| PAT Margin | (%) | 0.79 | 3.02 |
| Total Debt/Tangible Net Worth | Times | 0.68 | 0.64 |
| PBDIT/Interest | Times | 3.48 | 5.18 |

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

CRISIL Ratings, vide its press release dated January 21, 2022 has denoted the rating of Vinayak TMT Bars Private Limited as 'CRISIL B+; Reaffirmed, Issuer Not Cooperating' on account of lack of adequate information required to monitor the ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|--|
| 09 Oct 2020 | Term Loan | Long Term | 0.30 | ACUITE BBB Stable (Assigned) |
| | Cash Credit | Long Term | 32.00 | ACUITE BBB Stable (Reaffirmed) |
| | Proposed Bank Facility | Long Term | 2.33 | ACUITE BBB Stable (Reaffirmed) |
| | Term Loan | Long Term | 10.67 | ACUITE BBB Stable (Reaffirmed) |
| | Term Loan | Long Term | 1.33 | ACUITE BBB Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 12.00 | ACUITE A3+ (Reaffirmed) |
| | Term Loan | Long Term | 1.33 | ACUITE BBB Stable (Assigned) |
| 29 Sep 2020 | Term Loan | Long Term | 9.20 | ACUITE BBB (Withdrawn) |
| | Cash Credit | Long Term | 25.00 | ACUITE BBB Stable (Reaffirmed) |
| | Proposed Long Term Loan | Long Term | 0.80 | ACUITE BBB (Withdrawn) |
| | Term Loan | Long Term | 1.33 | ACUITE BBB Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 5.00 | ACUITE A3+ (Reaffirmed) |
| | Term Loan | Long Term | 10.67 | ACUITE BBB Stable (Assigned) |
| 08 May 2019 | Term Loan | Long Term | 11.20 | ACUITE BBB Stable (Upgraded from ACUITE BBB-) |
| | Proposed Bank Facility | Long Term | 0.80 | ACUITE BBB Stable (Upgraded from ACUITE BBB-) |
| | Bank Guarantee | Short Term | 5.00 | ACUITE A3+ (Upgraded from ACUITE A3) |
| | Cash Credit | Long Term | 25.00 | ACUITE BBB Stable (Upgraded from ACUITE BBB-) |
| 28 Jul 2018 | Cash Credit | Long Term | 25.00 | ACUITE BBB- (Issuer not co-operating*) |
| | Term Loan | Long Term | 11.20 | ACUITE BBB- (Issuer not co-operating*) |
| | Proposed Long Term Loan | Long Term | 0.80 | ACUITE BBB- (Issuer not co-operating*) |
| | Bank Guarantee | Short Term | 5.00 | ACUITE A3 (Issuer not co-operating*) |
| 26 May 2017 | Cash Credit | Long Term | 25.00 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 11.20 | ACUITE BBB- Stable (Assigned) |
| | Proposed Long Term Loan | Long Term | 0.80 | ACUITE BBB- Stable (Assigned) |
| | Bank Guarantee | Short Term | 5.00 | ACUITE A3 (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|------------------------------------|------------------|----------------|----------------|-------------------|---------------------------------|
| State Bank of India | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A2 Upgraded |
| State Bank of India | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 7.00 | ACUITE A2 Upgraded |
| State Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 25.00 | ACUITE BBB+ Stable Upgraded |
| State Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 7.00 | ACUITE BBB+ Stable Upgraded |
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 2.33 | ACUITE BBB+ Stable Upgraded |
| State Bank of India | Not Applicable | Term Loan | 15-10-2019 | Not available | 14-10-2025 | 10.67 | ACUITE BBB+ Stable Upgraded |
| State Bank of India | Not Applicable | Term Loan | 19-02-2019 | Not available | 18-02-2023 | 1.33 | ACUITE BBB+ Stable Upgraded |
| State Bank of India | Not Applicable | Term Loan | 15-10-2019 | Not available | 14-10-2025 | 1.33 | ACUITE BBB+ Stable Upgraded |
| State Bank of India | Not Applicable | Term Loan | 09-08-2018 | Not available | 08-08-2025 | 0.30 | ACUITE BBB+ Stable Upgraded |

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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