



Press Release
Vinayak TMT Bars Private Limited
October 08, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	42.00	ACUITE BBB Negative Assigned	-
Bank Loan Ratings	47.96	ACUITE BBB Negative Reaffirmed Stable to Negative	-
Bank Loan Ratings	12.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	101.96	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Acuite has assigned the long-term rating to '**ACUITE BBB (read as ACUITE Triple B)**' on the Rs. 42 crore bank facilities of Vinayak TMT Bars Private Limited (VTPL). The outlook is '**Negative**'.

Rationale for Rating Reaffirmation

The revision in the outlook reflects deterioration in the operating and financial performance of the company in FY2024.

The reaffirmation in rating factors in the subdued operating performance of the company in comparison to Acuite's expected levels. The operating profitability of the company declined significantly to 0.22% in FY2024(Prov) from 2.09% in FY2023. The decline is primarily on account of lower price realisations. This has led to losses at PBIT levels and deterioration of the financial risk profile particularly the debt coverage indicators. Further, this has led to stretch in liquidity position as it generated insufficient accruals to service the debt repayment obligations, additional USL was infused to meet the repayment obligations.

However, the revenue has increased in FY2024(Prov) to Rs. 972.24 Cr. from Rs. 917.03 Cr. in FY2023 on account of higher sale volumes during the year, amidst lower price realisations., and the working capital operations have remained efficient.

Further, due to completion of the capex towards installation of solar power plant in April 2024, significant savings in the power is expected from FY2025 onwards. Going ahead, the ability of the company to improve its operating profitability and revenue leading to improvement in the financial risk profile and liquidity position will remain key

monitorable in the near term.

About the Company

Gujarat based company incorporated in 2008, by Mr. Shantilal Shah, Mr. Karsanbhai Patel, and five others. Vinayak TMT Bars Private Limited engages in manufacturing of TMT Bars and MS Billets. Company primarily caters to customers in real estate, industrial, infrastructure sector. VTPL sells its products under the brand name 'Vinayak 500'. The company sells its products through its network of dealers. It has a network of ~35 dealers. It is currently promoted by Mr. Karshanbhai Patel, Mr. Prakashbhai Karshanbhai Patel, Mr. Vasant Shivdasbhai Patel and Mr. Priyankumar Rajubhai Parikh.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and 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. Priyankkumar 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. The company has been able to establish long standing relationship with its client owing to extensive experience of the management.

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

Efficient nature of working capital operations

VTPL working capital operations are efficient in nature marked by the Gross Current Asset days (GCA) of 36 days in FY2024 (Prov.) against 49 days in FY2023. The inventory days stood at 14 days in FY2024 (Prov.) and 32 days in FY2023.

The debtors' days stood at 14 days in FY2024 (Prov.) against 13 days in FY2023. The company provides credit period in the range of 10-12 days.

The creditors' days stood at 3 days in FY2024 (Prov.) against 13 days in FY2023. However, the reliance on working capital limits stood moderate at 82.28% over the last 12 months ending July 2024.

Acuite believes, the working capital operations are expected to remain efficient over the medium term.

Weaknesses

Deterioration in Financial Risk Profile

The overall financial risk profile of the company deteriorated in FY2024 on account of subdued operating performance in FY2024(Prov.).

The debt protection metrics of ICR and DSCR declined to below unity at 0.75 times and 0.49 times in FY2024(Prov) against 3.70 times and 2.26 times in FY2023. The Debt/EBITDA levels increased to 20.99 times in FY2024(Prov) from 1.84 times in FY2023 on account of increase in debt levels (For Solar Capex) and decline in absolute EBITDA. The repayment of debt obligations has been supported through infusion of USL. The tangible net worth of the company stood at Rs.87.28 Cr. as of March 31, 2024(Prov) against Rs.95.36 Cr. as of March 31, 2023. The decline in network is on account of attribution of losses to reserves. Further, a part of USL (Rs.28.73 Cr.) has been considered as quasi equity. The gearing levels stood at 1.01 times as of March 31, 2024(Prov) against 0.44 times as of March 31, 2023. The total debt is Rs.88.52 Cr. as of March 31, 2024(Prov.), consists of long-term debt of Rs. 48.17 Cr, USL of Rs.10.88 Cr. and short-term debt of Rs. 29.48 Cr.

Going ahead, the ability of the company to improve its financial risk profile in the near term on the back of improved accruals generation will remain a key rating monitorable.

Intense competition and inherent cyclicity 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

- Growth in scale of operations while improving the profitability margin.
- Any significant elongation in the working capital cycle
- Ability to improve the financial risk profile

Liquidity Position

Stretched

VTPL's liquidity position is stretched, as reflected by generation of insufficient cash accruals against repayment obligations in FY2024(Prov). However, infusion of funds in form of USL was made to support the repayment obligations. Further, the working capital operations of the company is efficient in nature marked by GCA days of 36 in FY2024 (Prov.) with moderate, reliance on working capital limits at ~82.28% over the last 12 months ending July 2024.

The current ratio stood average at 2.27 times as of March 31, 2024(Prov.). Unencumbered cash and bank balances stood at Rs. 16.42 Cr. as of March 31, 2024(Prov.).

Going ahead, the liquidity position of the company is expected to improve on account of expected growth in accruals generation.

Outlook: Negative

Acuité has revised the outlook on SPIPL from 'Stable' to 'Negative' on account of deterioration in the financial risk profile and operating performance in FY2024. The rating maybe downgraded in case of lower than expected growth in revenue, improvement in profitability and overall financial risk profile in FY2025. The outlook may be revised to 'Stable' , if the company shows higher than expected improvement in the scale of operations along with profitability leading to improvements in the overall financial risk profile in FY2025

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	972.24	917.03
PAT	Rs. Cr.	(8.07)	7.20
PAT Margin	(%)	(0.83)	0.78
Total Debt/Tangible Net Worth	Times	1.01	0.44
PBDIT/Interest	Times	0.75	3.70

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

Not Applicable

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Aug 2023	Bank Guarantee/Letter of Guarantee	Short Term	12.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	32.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	5.06	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	9.51	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Proposed Long Term Bank Facility	Long Term	1.39	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
06 Jun 2022	Bank Guarantee/Letter of Guarantee	Short Term	7.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	7.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	25.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	1.33	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	1.33	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	0.30	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	10.67	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Proposed Long Term Bank Facility	Long Term	2.33	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A2 Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	32.00	Simple	ACUITE BBB Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	01 Jul 2027	9.41	Simple	ACUITE BBB Negative Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.94	Simple	ACUITE BBB Negative Reaffirmed Stable to Negative
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.10	Simple	ACUITE BBB Negative Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Apr 2025	1.51	Simple	ACUITE BBB Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Feb 2031	9.51	Simple	ACUITE BBB Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Feb 2031	32.49	Simple	ACUITE BBB Negative Assigned

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About Acuité Ratings & Research

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