



Press Release
VARUN PIPING SYSTEMS
April 01, 2025
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.60	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	9.50	ACUITE BB+ Stable Upgraded	-
Bank Loan Ratings	6.00	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	30.10	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE Double B plus**) from **ACUITE B+** (read as **ACUITE B plus**) on the Rs.9.50 Cr. bank facilities of VARUN PIPING SYSTEMS (VPS). The outlook is '**Stable**'.

Acuite has upgraded the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from **ACUITE A4** (read as **ACUITE A four**) on the Rs. 6.00 Cr. bank facilities of VARUN PIPING SYSTEMS (VPS).

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE Double B plus**) on the Rs. 14.60 Cr. bank facilities of VARUN PIPING SYSTEMS (VPS). The outlook is '**Stable**'.

Rationale for Rating

The rating upgrade and transition from 'Issuer non-cooperating' reflect the benefits derived by the experienced management and long track record of operation and steady scale of operations of firm as reflected by revenue of Rs. 128.37 crore in FY2024, against Rs. 114.75 crore in FY2023 and Rs. 83.06 Cr. on FY2022. The firm also has an efficient working capital cycle as evident from gross current assets (GCA) of 69 days for FY2024 and 39 days for the FY2023. Further, the firm has expanded its capacity by incurring a cost of ~Rs.15 Cr. which is expected to enhance the operational performance of the firm over the medium term. . However, these strengths are offset by the highly competitive and fragmented nature of the industry and are susceptible to capital withdrawal due to the partnership constitution of business.

About the Company

Karnataka based; Varun Piping Systems (VPS) was established in the year 2016. The operations of the firm are managed by Mr. M Chittaranjan Bhat. The firm is engaged in the business of manufacturing P.V.C pipes, fittings and Suction Hose and HDPE Pipes and fittings.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Varun Pipings Systems (VPS) to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operation

VPS was established in the year 2016 by merging the existing partnership firms of the promoters who have been in the same line of business since 1987. The partners of the firm have an extensive experience of more than three decades in the plastic industry which has helped the firm in maintaining healthy relations with its customers and suppliers. The firm has over the years added capacities to augment the scale of operations. Acuite believes that the firm will continue to benefit from the business acumen of the partners over the medium term.

Steady Scale of Operations

In FY2024, the firm recorded a revenue of Rs. 128.37 crore, reflecting a year-on-year growth from Rs1. 14.75 crore in FY2023. This growth trajectory can be largely attributed to a strategic focus on capturing new business by expanding through its distributor network. The 9MFY25 revenues had been at Rs. 107.76 Cr. Currently, the firm gets recurrent orders to be executed in 1-3 months. Presently, it holds an active order book of Rs. 6.47 crore, which is projected to be completed by April 2025. The operating margin saw an improvement, rising to 9.63% in FY2024, up from 5.23% in FY2023 largely due to decrease in raw material costs. The firm's Profit After Tax (PAT) margin experienced an increase to 5.63% in FY2024 from 2.41% in FY2023.

The firm's Return on Capital Employed (ROCE) stood healthy at 56.20% in FY2024, up from 27.15% in FY2023. Acuite believes that the firm is likely to sustain the scale of operations and the profitability margins over the medium term with the augmentation of expanded capacity.

Efficient Working capital cycle

The firm has efficient working capital cycle as evident from gross current assets (GCA) of 69 days for FY2024 and 39 days for the FY2023. The moderation in GCA days have been noticed on account of increased cash and bank balance on year end. The GCA excluding cash and bank balance would be about 38 days. Debtor days stood at 14 days in FY2024, against 12 days in FY2023. The inventory days stood at 21 days in FY2024 from 19 days in FY2023. The firm does not get any credit from its suppliers, all procurments are typically on cash and carry basis. Acuite believes that the working capital operations of the firm will remain at the similar levels over the near term.

Weaknesses

Highly competitive and fragmented nature of industry

The firm is operating in a highly competitive and fragmented industry with a large number of organized and unorganized players present in the market, which limits the bargaining power of the firm. However, the risk is mitigated to some extent on account of an established track record of operations and experienced management. Acuite believes that the sustainability in a competitive and fragmented landscape would remain a key challenge for the firm going forward.

Susceptible to capital withdrawal due to Partnership constitution of business

The partnership of the firm makes it vulnerable to the risk of capital withdrawal. In case there are capital withdrawal by the partner it may impact the overall capital structure and liquidity of the firm.

Rating Sensitivities

- Sustenance of the profitability margins while scaling up of operations.
- Working capital cycle.
- Maintaining capital structure

Liquidity Position

Adequate

The firm has adequate liquidity marked by net cash accruals of Rs. 7.86 Cr. in FY2024 as against nil debt obligation over the same period. Going forward, the accruals are expected to be sufficient to meet debt obligations of Rs. 1.95 Crs. – Rs. 2.31 Crs. respectively in next two years. The cash and bank balance stood at Rs. 11.12 Cr for FY 2024. Further, the current ratio of the firm stood at 2.31 times in FY2024. The intensive working capital cycle of the firm is marked by Gross Current Assets (GCA) of 69 days for FY2024 as compared to 39 days for the FY2023. As per the banker the bank limit utilization has been moderate, averaging approximately 70 - 80 percent over the last six months, ending in February 2025. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term backed by steady accruals, moderately utilised short-term borrowings and moderate current ratio along with the small debt obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	128.37	114.75
PAT	Rs. Cr.	7.22	2.76
PAT Margin	(%)	5.63	2.41
Total Debt/Tangible Net Worth	Times	0.06	0.11
PBDIT/Interest	Times	22.23	6.99

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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. Acuite'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
13 May 2024	Letter of Credit	Short Term	6.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Secured Overdraft	Long Term	8.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.50	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
13 Feb 2023	Letter of Credit	Short Term	6.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Secured Overdraft	Long Term	8.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.50	ACUITE B+ (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE A4+ Upgraded (from ACUITE A4)
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 BB+ Stable Assigned
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BB+ Stable Upgraded (from ACUITE B+)
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BB+ Stable Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	03 Feb 2024	Not avl. / Not appl.	15 Mar 2032	1.50	Simple	ACUITE BB+ Stable Upgraded (from ACUITE B+)
Canara Bank	Not avl. / Not appl.	Term Loan	03 Feb 2024	Not avl. / Not appl.	15 Mar 2032	0.50	Simple	ACUITE BB+ Stable Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	03 Feb 2024	Not avl. / Not appl.	03 Feb 2031	11.00	Simple	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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