

## Press Release

**Venus Pipes And Tubes Private Limited**

**D-U-N-S® Number: 87-673-8926**



March 22, 2019

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 25.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 25.00 crore bank facilities of Venus Pipes And Tubes Private Limited (VPTL). The outlook is '**Stable**'.

VPTL, based at Gandhidham (Gujarat), was incorporated in 2015. The company started its commercial operations from January 2016. VPTL is promoted by Mr. Meghram Choudhary, Mr. Jayantiram Choudhary, Mr. Mahesh Puj, Mr. Hemant Shah and Mr. Dhruv Patel. The company is engaged in manufacturing of stainless steel welded pipes and tubes. The manufacturing unit is located at Gandhidham having installed capacity of 6600 Metric Tonnes (MT).

### Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of VPTL to arrive at the rating

### Key Rating Drivers

#### Strengths

- **Experienced management**

The company promoters possess more than a decade experience in steel trading and manufacturing business. Other than steel industry, all promoters have diversified business interests and have experience of more than a decade in various fields i.e. manufacturing of corrugated box and industrial hardware, textile, land development, construction, warehousing services and transportation. The promoters are strongly supported by qualified and experienced second tier management across the functions. The promoters' industry experience has helped the company to grow and established reputed clientele network.

- **Improving scale of operations and margins**

The operations of the company have improved significantly since stabilisation of operations in FY2017. The operating income of the company has improved to Rs.68.17 crore in FY2018 as compared to Rs.27.22 crore in FY2017. The company has booked revenue of Rs.90.93 crore till December 2018. The operating margins and PAT margins have also improved to 10.79 percent and 3.18 percent in FY2018 as compared to 7.69 percent and 1.18 percent in FY2017.

#### Weaknesses

- **Working capital intensive nature of operations**

The operations are working capital intensive in nature marked by Gross Current Asset (GCA) of 156 days in FY2018 and 174 days in FY2017. The GCA days are marked by high inventory holding of 109 days in FY2018 which has increased from 56 days in FY2017. The cash credit facility is utilised at ~95.00 percent during the last six months ended 30 December, 2018.

• **High competition and susceptibility of margins to volatility in prices of raw material**

The company operates in highly fragmented steel industry which is marked by presence of large number of organised and unorganised players restricting bargaining power with its customers. The main raw material for VTPL is steel and the prices of the same are volatile in nature and any adverse movement in prices would directly affect profitability of VTPL. However, the company has price escalation clause for long-term contracts with clients reducing such risk to certain extent.

**Liquidity Position:**

VTPL has moderate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.07 crore in FY2018 and Rs.1.22 crore. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 280 in FY2018. This has led to moderate reliance on working capital borrowings which is utilised at ~95.00 percent during the last six months ended 30 December, 2018. VTPL maintains low unencumbered cash and bank balance of Rs.0.61 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.27 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of increase in revenues, net cash accruals and improved scale of operations.

**Outlook: Stable**

Acuité believes that VTPL will maintain a 'Stable' outlook over the medium term owing to the promoters experience and comfortable debt profile. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher than expected increase in debt funded working capital requirements.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	68.17	27.22	1.83
EBITDA	Rs. Cr.	7.35	2.09	0.45
PAT	Rs. Cr.	2.17	0.32	(0.20)
EBITDA Margin	(%)	10.79	7.69	24.78
PAT Margin	(%)	3.18	1.18	(11.20)
ROCE	(%)	21.71	10.02	6.30
Total Debt/Tangible Net Worth	Times	1.55	2.26	1.91
PBDIT/Interest	Times	2.85	1.89	2.20
Total Debt/PBDIT	Times	2.41	6.00	4.67
Gross Current Assets (Days)	Days	156	174	355

**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)**

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.40	ACUITE BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	4.60	ACUITE BB / Stable

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