

## Press Release

### Venus Alloys Private Limited

January 05, 2021

### Rating Reaffirmed and Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 54.16 crores (Enhanced from Rs. 32.05 crores)
<b>Long Term Rating</b>	ACUITE BBB-/ Outlook: Stable (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 40.16 crores bank facilities of Venus Alloys Private Limited (VAPL). The outlook is '**Stable**'.

Further, Acuité has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 14.00 crore of bank facilities of VAPL. The outlook is '**Stable**'.

Madhya Pradesh-based, VAPL was incorporated in 1992 by Mr. Sagar Mal Jain, Mr. Pradeep Kimtee, Mr. Abhay Porwal and Mr. Komal Singh Duggad. VAPL is engaged in the manufacturing of M.S. ingot and billets. The company has two manufacturing units - Unit I (Ingot) and Unit II (Billet) with installed capacities of 29500 MTPA and 150000 MTPA, respectively. Currently, as a part of the forward integration plan, the company is under process to venture into the manufacturing of TMT bars and rods of different sizes ranging from 8 mm to 32 mm diameter with the installed capacity of 1,42,000 MTPA.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

##### • Experienced management and healthy scale of operations

VAPL is promoted by Mr. Sagar Mal Jain, Mr. Pradeep Kimtee, Mr. Abhay Porwal & Mr. Komal Singh Duggad. The promoters have over two decades of experience in the iron & steel manufacturing business in India. Further, the company is continuously diversifying their revenue streams by entering into new businesses or acquisition of new clients as evident by the TMT rods manufacturing venture. The company benefits from the rich experience of the promoters, which is reflected by strong and long standing relations with both customers and suppliers. Operating Income for the FY2020 stood at Rs 472.87 crore as against Rs. 508.64 crore in FY2019 whereas it was Rs. 182.43 crores in FY2018.

Acuité believes VAPL will continue to benefit over the medium term from its longstanding association with its key supplier as well as customers.

##### • Efficient Working Capital Operations

VAPL has efficiently managed its working capital as reflected in Gross Current Assets (GCA) of 44 days in FY2020 as against 47 days in FY2019 and 53 days in FY2018 on account of low inventory levels and low debtor collection period maintained by the company. The company maintained inventory of 24 days from in FY2020 as against 22 days in FY2019. Debtor collection period stood at 12 days in FY2020 as against 20 days in FY2019. Further, the creditor payback period is efficient at 13 days in FY2020. Additionally, the average utilization of working capital limit is ~31 percent for past six months ended Nov 2020.

##### • Moderate financial risk profile

VAPL's financial risk profile is moderate marked by above average net worth, moderate gearing and moderate debt protection measures. The company's net worth increased to Rs.32.60 crore as on 31 March, 2020 as against Rs.28.53 crore in the previous year on account of good profitability leading to higher accretion to reserves. VAPL's gearing is estimated to be moderate at 1.05 times as on 31 March, 2020 as against 1.10 times in the previous year due to the company being in capital expenditure mode

at present. The total debt of Rs.34.20 crore consists of long term debt of Rs.17.58 crore, and Rs.16.62 crore of short term debt obligations as on 31st March 2020. The moderate profitability levels have resulted in moderate net cash accruals of Rs.8.24 crore during FY2020. The interest coverage ratio stood at 3.15 times in FY2020 as against 4.14 times in the previous year. NCA/TD ratio stood 0.24 times in FY2020.

### Weaknesses

#### • Inherent cyclicity in the steel industry

The steel industry is highly fragmented and unorganized. VAPL is exposed to intense competitive pressure from large number of organized and unorganized players along with its exposure to inherent cyclical nature of the steel industry. Additionally, due to the advent of the COVID-19 pandemic the major demand driving sectors of Iron & Steel industry, i.e. Infrastructure and Real estate have witnessed muted growth which poses a challenge to the demand of the product.

### Rating Sensitivity

- Significant improvement in the scale of operation with improvement in profitability, sustenance of the comfortable financial risk profile and improvement in working capital intensity.
- Deterioration in working capital led by major debt funded capex

### Material Covenants

None

### Liquidity position: Adequate

Liquidity is marked by adequate accruals to the tune of Rs.8.24 crore in FY2020 against repayment obligations to the tune of Rs.3.29 crore. The current ratio of the company stood 1.51 times and gross current asset days stood at 44 days in FY2020. The company had unencumbered cash and bank balances of Rs.0.09 crore as on March 31, 2020. The company's reliance on working capital borrowings is low; the cash credit limit remains utilized at ~31 percent during the last six months period ended Nov 2020. The cash accruals of VAPL are estimated to remain adequate during FY2021 to 2023 in the range of Rs.6.93 crore to 14.10 crore. Acuite believes that the liquidity of the company is likely to remain adequate over the near to medium term.

### Outlook: Stable

Acuite believes that the outlook on VAPL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience, moderate financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	472.87	508.64
PAT	Rs. Cr.	3.49	6.67
PAT Margin	(%)	0.74	1.31
Total Debt/Tangible Net Worth	Times	1.05	1.10
PBDIT/Interest	Times	3.15	4.14

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

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

**Note on complexity levels of the rated instrument**
<https://www.acuite.in/view-rating-criteria-55.htm>
**Rating History (Up to last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Nov-2019	Term Loan	Long Term	10.50	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	10.05	ACUITE BBB-/ Stable (Assigned)
	Cash Credit	Long Term	4.50	ACUITE BBB-/ Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB-/ Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB-/ Stable (Assigned)

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Bank Name	Ratings/Outlook
Term Loan	Not Available	Not Available	Not Available	10.50	HDFC Bank	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	7.00	HDFC Bank	ACUITE BBB-/ Stable (Assigned)
Term Loan	Not Available	Not Available	Not Available	8.16 (Revised from Rs. 10.05 cr.)	Punjab National Bank	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	7.00	Punjab National Bank	ACUITE BBB-/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50 (Revised from Rs. 4.50 cr.)	HDFC Bank	ACUITE BBB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	Punjab National Bank	ACUITE BBB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00 (Revised from Rs. 5.00 cr.)	Punjab National Bank	ACUITE BBB-/ Stable (Reaffirmed)

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### About Acuite Ratings & Research:

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