



Press Release
VENUS ALLOYS PRIVATE LIMITED
June 29, 2023

Rating Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|----------------------------------|-------------------|
| Bank Loan Ratings | 54.16 | ACUITE BBB Stable Reaffirmed | - |
| Total Outstanding Quantum (Rs. Cr) | 54.16 | - | - |

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 54.16 crore bank facilities of Venus Alloys Private Limited (VAPL). The outlook is 'Stable'.

Rationale for reaffirmation

The rating reaffirmation is driven by stability in operating performance of the company and sustenance of the financial risk profile in FY2023 (Prov.). The operating income of the company stood at Rs.570.42 crore in FY2023(prov.) as against Rs.564.09 crore in FY2022. The operating profit margin of the company remained range bound and stood at 3.77% in FY2023(prov.) as against 3.76% in FY2022. The financial risk profile continued to remain moderate marked by moderate net worth, low gearing level and moderate debt-protection metrics. However, the rating remains constrained on account of thin profitability margins and inherent cyclicality in the steel industry.

About the Company

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. billets and TMT bars. The company has two manufacturing units - Unit I (Billet) and Unit II (TMT bars) with installed capacities of 150000 MTPA and 142000 MTPA, respectively. It manufactures TMT bars and rods of different sizes ranging from 8 mm to 32 mm diameter.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and integrated operations

Incorporated in 1992, VAPL is promoted by Mr. Sagar Mal Jain, Mr. Pradeep Kimtee, Mr. Abhay Porwal, Mr. Komal Singh Duggad and their respective families. The promoters have over three decades of experience in the iron & steel manufacturing business in India. The company benefits from the rich experience of its promoters, which is reflected by its long standing relations with both customers and suppliers. Prior to FY2021, the Company was

engaged in manufacturing of ingot and billets. It forward integrated its operations and began manufacturing of TMT bars by end of FY2021. The operating income of the company

stood at Rs.570.42 crore in FY2023(prov.) as against Rs.564.09 crore in FY2022. The operating profit margin of the company remained range bound and stood at 3.77% in FY2023(prov.) as against 3.76% in FY2022.

Acuité believes VAPL will continue to benefit over the medium term from its experienced management and its long track record of operations.

Moderate Financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, low gearing level and moderate debt-protection metrics. The tangible net worth of the company stood at Rs.47.27 crore as on March 31, 2023(prov.) as against Rs.38.46 crore as on March 31, 2022. The overall gearing stood at 1.10 times as on March 31, 2023(prov.) as against 1.38 times as on March 31, 2022. The total outside liabilities to total network(TOL/TNW) stood at 1.57 times as on March 31, 2023(prov.) as against 1.98 times as on March 31, 2022. The debt-protection metrics are moderate with interest coverage ratio (ICR) of 4.77 times for FY2023(prov.) as against 5.19 times for FY2022. The debt-service coverage ratio (DSCR) stood at 1.87 times for FY2023(prov.) as against 1.86 times for FY2022.

Acuite believes that the financial risk profile of VAPL will continue to remain moderate on account of absence of any debt funded capex plan.

Efficient Working capital management

The working capital operations of the company are efficiently managed marked by low GCA days.. The inventory days stood at 42 days in FY2023(prov.) as against 31 days in FY2022. The debtor days stood at 10 days in FY2023(prov.) as against 13 days in FY2022. The creditor days stood at 13 days in FY2023(prov.) as against 14 days in FY2022. The average working capital utilisation of the company stood at 62.40% for last thirteen months ended as on April 2023.

Weaknesses

Thin profitability margins

The operating profit margin of the company remained range bound and stood at 3.77% in FY2023(prov.) as against 3.76% in FY2022. The profit after tax (PAT) margin stood at 1.54% in FY2023(prov.) as against 1.53% in FY2022. The Company's profitability is susceptible to fluctuations in raw material prices, though the order back-to-back policy of the Company hedges the margins to an extent.

Acuite believes that VAPL's ability to maintain its profitability will remain a key monitorable.

Inherent cyclicality 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.

Rating Sensitivities

- > Improvement in scale of operations and profitability while maintaining its capital structure.
- > Elongation in working capital cycle

Material covenants

None

Liquidity Position Adequate

The liquidity position of the company remained adequate marked by adequate net cash accrual against its maturing debt obligations. The company generated net cash accrual of

Rs. 14.20 crore in FY2023(prov.) against its maturing debt obligation of Rs. 5.41 crore. Going ahead, the net cash accruals of the company are estimated to be in the range of Rs.14.68 to Rs.15.42 crore and maturing debt obligations in the range of Rs. 3.74 to 4.36 crore during FY2024-25. The average working capital utilisation of the company stood at 62.40% for last thirteen months ended as on April 2023.

Outlook: Stable

Acuité believes that the outlook on VAPL's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience, long track record of operations, moderate financial risk profile and efficient working capital operations. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability without deterioration in its capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in scale of operations and profitability.

Key Financials

| Particulars | Unit | FY 23 (Provisional) | FY 22 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 570.42 | 564.09 |
| PAT | Rs. Cr. | 8.81 | 8.64 |
| PAT Margin | (%) | 1.54 | 1.53 |
| Total Debt/Tangible Net Worth | Times | 1.10 | 1.38 |
| PBDIT/Interest | Times | 4.77 | 5.19 |

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>
- Entities In Manufacturing Sector:- <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, Acuite 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 |
|-------------|--------------------------------|-----------|-----------------|--|
| 31 Mar 2022 | Cash Credit | Long Term | 6.50 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Term Loan | Long Term | 10.50 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Term Loan | Long Term | 7.00 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Term Loan | Long Term | 8.16 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Cash Credit | Long Term | 13.00 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Term Loan | Long Term | 7.00 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Cash Credit | Long Term | 2.00 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| 05 Jan 2021 | Term Loan | Long Term | 7.00 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 7.00 | ACUITE BBB- Stable (Assigned) |
| | Cash Credit | Long Term | 2.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 6.50 | ACUITE BBB- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 13.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 8.16 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 10.50 | ACUITE BBB- Stable (Reaffirmed) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------------|----------------|-------------|------------------|----------------|----------------|------------------|-------------------|---|
| HDFC Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 6.50 | ACUITE BBB Stable Reaffirmed |
| Punjab National Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 2.00 | ACUITE BBB Stable Reaffirmed |
| Punjab National Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 13.00 | ACUITE BBB Stable Reaffirmed |
| HDFC Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 7.00 | ACUITE BBB Stable Reaffirmed |
| Punjab National Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 7.00 | ACUITE BBB Stable Reaffirmed |
| HDFC Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 10.50 | ACUITE BBB Stable Reaffirmed |
| Punjab National Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 8.16 | ACUITE BBB Stable Reaffirmed |

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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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