



Press Release
Venus Alloys Private Limited
October 09, 2024
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	28.90	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	8.10	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	28.90	-	-
Total Withdrawn Quantum (Rs. Cr)	8.10	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple B**) on the Rs. 28.90 crore bank facilities of Venus Alloys Private Limited (VAPL). The outlook is ‘**Stable**’.

Further, Acuite has withdrawn its long-term rating on the Rs. 8.10 crore proposed bank facilities of Venus Alloys Private Limited (VAPL) without assigning any rating as it is a proposed facility. The rating withdrawal is in accordance with Acuite’s policy on withdrawal of rating as applicable to the respective facility/instrument. The rating is being withdrawn on account of request received from the Company.

Rationale for Rating

The rating reaffirmation reflects VAPL’s long track record of operations and experience of the management of over three decades in the iron and steel industry. The rating further considers the marginal decline in the operating performance of the company in FY2024. The operating income of the company stood at Rs.524.06 Cr. in FY2024(Prov.) as against Rs.570.44 Cr. in FY2023. The moderation in revenue is primarily on account of lower price realisations. Further, it led to moderation in the operating profit margin to 2.80% in FY2024(Prov.) as against 3.84% in FY2023. Furthermore, the financial risk profile of the company continued to remain moderate marked by moderate net worth, lowgearing levels and moderate debt-protection metrics. The rating also factors in the efficient nature of working capital operations marked by GCAdays of 37 days in FY2024(Prov.) as against 53 days in FY2023. However, the rating is constrained by the company’s thin profitability margins and the inherent cyclicity of the steel industry. Going ahead, the company’s ability to increase its scale of operations and improve profitability while maintaining its moderate financial risk profile and efficient working capital operations will remain key monitorable.

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.

Unsupported Rating

Not Applicable

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 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. However, the operating income of the company stood at Rs.524.06 Cr. in FY2024(Prov.) as against Rs.570.44 Cr. in FY2023. The operating profit margin of the company declined and stood at 2.80% in FY2024(Prov.) as against 3.84% in FY2023.

Acuite 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.51.15 Cr. as on March 31, 2024(Prov.) as against Rs.46.34 Cr. as on March 31, 2023. The overall gearing stood at 0.74 times as on March 31, 2024(Prov.) as against 1.13 times as on March 31, 2023. The total outside liabilities to total networth(TOL/TNW) stood at 1.05 times as on March 31, 2024(Prov.) as against 1.61 times as on March 31, 2023. The debt-protection metrics are moderate with interest coverage ratio (ICR) of 3.68 times for FY2024(Prov.) as against 4.61 times for FY2023. The debt-service coverage ratio (DSCR) stood at 1.69 times for FY2024(Prov.) as against 1.86 times for FY2023.

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

Efficient working capital management

The company's operations are working capital efficient in nature marked by Gross Current Asset (GCA) days of 37 days in FY2024(Prov) against 53 days in FY2023. The improvement in GCA days is primarily due to lower inventory levels during the year. The inventory levels stood at 21 days in FY2024(Prov.) compared against 42 days in FY2023. The debtor days stood at 8 days in FY2024(Prov.) as compared to 10 days in FY2023. The creditor days stood at 7 days in FY2024(Prov.) as against 13 days in FY2023. Further, the reliance on bank limits stood moderate with average utilisation of ~34.76% in last 12 months ended July 2024.

Weaknesses

Thin profitability margins

The company has thin profitability margins, which also declined in FY2024(Prov). The operating profit margin declined to 2.80% in FY2024(Prov.) as against 3.84% in FY2023 primarily on account of lower price realisations. The profit after tax (PAT) margin stood at 0.92% in FY2024(Prov.) as against 1.38% in FY2023. The Company's profitability thus, remains 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 and or improve its profitability will remain a key monitorable.

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.

Rating Sensitivities

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

Liquidity Position

Adequate

The company has an adequate liquidity position marked by generation of sufficient net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.9.22 Cr. in FY2024(Prov.) compared

against Rs.3.75 Cr. maturing debt obligation over the same period. The company maintains unencumbered cash and bank balances of Rs.9.28 Cr. as on March 31, 2024(Prov.). The current ratio stood at 1.32 times as on March 31, 2024(Prov.). The working capital operations of the company are efficient in nature with GCA days of 37 days in FY2024(Prov.) with moderate reliance on working capital limits. The average utilization of the bank limits of the company stood at ~34.76% in last 12 months ended July 2024.

Going ahead, the liquidity is expected to remain adequate on account of moderate accruals generation and buffer available from the moderately utilised working capital limits.

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 and or financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	524.06	570.44
PAT	Rs. Cr.	4.81	7.88
PAT Margin	(%)	0.92	1.38
Total Debt/Tangible Net Worth	Times	0.74	1.13
PBDIT/Interest	Times	3.68	4.61

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
26 Sep 2024	Term Loan	Long Term	1.60	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	4.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	8.10	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	7.00	ACUITE Not Applicable (Withdrawn)
	Term Loan	Long Term	8.16	ACUITE Not Applicable (Withdrawn)
	Cash Credit	Long Term	2.00	ACUITE Not Applicable (Withdrawn)
	Term Loan	Long Term	3.80	ACUITE BBB Stable (Reaffirmed)
29 Jun 2023	Term Loan	Long Term	7.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	7.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	10.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	8.16	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB Stable (Reaffirmed)
31 Mar 2022	Term Loan	Long Term	7.00	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	10.50	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	6.50	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	13.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
05 Jan 2021	Cash Credit	Long Term	6.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	10.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	7.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	8.16	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	7.00	ACUITE BBB- Stable (Assigned)

	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Reaffirmed)
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Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.50	Simple	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.00	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.10	Simple	Not Applicable Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	07 Nov 2020	Not avl. / Not appl.	07 Sep 2027	3.80	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	07 Jun 2018	Not avl. / Not appl.	07 Apr 2025	1.60	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	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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