

Press Release

VENUS INDUSTRIES

10 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 10.00 crore bank facilities of Venus Industries. The outlook is '**Stable**'.

Venus Industries, a Ratnagiri-based partnership firm was established in 2013 by Mr. Tushar Deolekar and Mr. Nilankan Deolekar (Managing Partner). The firm is engaged in the processing of Khair wood for manufacturing of Kattha (Catechu), Tannin, Khair Juice and Kutch.

The manufacturing facility is located at Ratnagiri with capacity of 1.20 lakh kgs - Katha (Catechu) and 5.40 lakh kgs of Khair juice annually. The average utilisation is around 80 percent. The firm has an established customer base in Delhi, Daman, Kanpur, Vadodara, Bangalore and Noida.

SMERA believes that Venus Industries will be able to maintain a moderate financial risk profile along with the profitability margins over the medium term.

Key rating drivers

Strengths

Experience management

Venus Industries, a partnership firm based in Ratnagiri, Maharashtra was established in 2013 by Mr. Tushar Deolekar and Mr. Nilankan Deolekar. The partners have over two decades of experience in the manufacturing and trading of Katha, Tannin, and Kutch products made from Khair wood.

Revenue growth YoY

The firm registered CAGR of 24 percent from FY2015 to FY2017. The revenue stood at Rs.18.36 crore in FY2017 compared to Rs. 11.26 crore in FY2016. The firm booked revenue of Rs. 14.06 crore till 31 November 2017.

Weaknesses

Average financial risk profile

The financial risk profile is average marked by net worth of Rs.4.23 crore as on 31 March, 2017 as against Rs. 6.86 crore in the previous year. The gearing (debt-equity) stood at 1.21 times as on 31 March, 2017 as against 1.00 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 1.77 times for FY2017 as compared to 1.41 times for FY2016.

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets days which stood at 164 in FY2017 and 462 in FY2016. The Inventory days were high at 105 days in FY2017 and 385 days in FY2016. The receivables also stood high at 60 days in FY2017 as against 81 days in FY2016. The average bank limit utilisation stood at ~94.05 percent in the last six months ended 31 November, 2017.

Exposure to cyclical in the industry

The firm is exposed to the inherent cyclical in the industry due to its dependence on availability of khair wood, the main raw material. The firm receives orders largely in the last two quarters due to cyclical demand for its products in the industry.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Venus Industries to arrive at the rating.

Outlook – Stable

SMERA believes that Venus Industries will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability or deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	18.36	11.26	9.02
EBITDA	Rs. Cr.	1.73	1.81	1.81
PAT	Rs. Cr.	0.54	0.34	0.23
EBITDA Margin	(%)	9.42	16.08	20.03
PAT Margin	(%)	2.94	3.02	2.58
ROCE	(%)	13.16	11.86	23.79
Total Debt/Tangible Net Worth	Times	3.95	8.17	9.54
PBDIT/Interest	Times	1.77	1.41	1.30
Total Debt/PBDIT	Times	4.32	6.77	6.85
Gross Current Assets (Days)	Days	157	411	508

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

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

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB/ Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB/ Stable

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ABOUT SMERA

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