



Press Release

Venus Pipes & Tubes Private Limited

March 10, 2021

Ratings

S. No	Instrument /Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term bank Facility	20.63	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable outlook)	Assigned
2.	Long Term- Term Loan	6.56	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable outlook)	Assigned
3.	Short Term- Letter of Credit	22.00	IVR A3 (IVR A Three)	Assigned
4.	Short Term- Forward Contract	0.44	IVR A3 (IVR A Three)	Assigned
	Total	49.63		

Details of Facilities are in Annexure 1.

Detailed Rationale

The rating assigned to the bank facilities of **Venus Pipes & Tubes Private Limited** draws comfort from its experienced promoters and top Management, Growing scale of operations with Strong credit metrics. However, these rating strengths are partially offset by intense competition in the industry and susceptibility to volatility in raw material prices. The Rating also considers the Strong order book position of the firm reflecting satisfactory medium-term revenue visibility.

Key Rating Sensitivities:

Upward Factor:



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- Continuous growth in revenue along with healthy profitability and debt metrics
- Improvement in management of liquidity

Downward factor:

- Fall in revenue and deterioration of debt protection metrics.
- Stretching of working capital cycle and requirements

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Management and Long-standing Relationships with the clients**

The top management of consisting of the promoters Mr. Megharam Chaudhary, Mr. Jayantiram Chaudhary, Mr. Mahesh Puj, Mr. Hemant Shah and Mr. Dhruv Patel has extensive experience in the industry of steel pipes and tubes manufacturing. They have developed long standing relations with the both the customer & Supplier side clients leading to tremendous growth in the recent years.

- **Strong Credit Metrics**

The company's debt metrics are also very comfortable considering the DSCR of 2.04 in FY20 and an Interest Coverage Ratio of 4.30. The company has adjusted net worth of Rs. 31.21 Cr as on 31 March 2020. The company also shows healthy profitability with a PAT margin of 1.94% and EBITDA margin of 6.28% which are higher than the industry average. The debt metrics have improved over the last 3 years with the company being able to generate enough surplus to repay the obligations on a timely basis.

- **Increase in scale of operations**

The company has shown outstanding growth in the top line with the total operating income increasing from Rs. 68.25 crore in FY18 to Rs. 177.81 crore in FY20. The company has quickly developed its brand and reach in the customer base all the while maintaining the quality of its products.

Key Rating Weaknesses

- **Competitive and Fragmented Nature of the industry**



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The industry constituting of steel pipes and manufacturing is highly fragmented and has very low entry barrier which makes it a very competitive industry. Both organized as well as the unorganized players are competing for the market share. This tends to reduce the pricing capability of the company as the market decides the price of the product.

- **Vulnerability to Volatile raw material prices**

The primary raw material for the company is raw steel whose prices are very volatile in nature. This adversely affects the pricing capability and the operating costs for the company. The effect can be seen across the industry, as the EBITDA margins can vary year-on-year cutting the profitability of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

Venus Pipes & Tubes Private Limited had a GCA of Rs. 5.06 crore in FY20 as against its repayment obligation of Rs. 1.42 crore. The company has a Current Ratio of 1.27x as of March 31, 2020. The free cash & cash equivalent was Rs. 0.35 Crore as on March 31, 2020. Liquidity is expected to remain Adequate.

About the Company

Incorporated in 2015, Venus Pipes and Tubes Private Limited is a fast-growing stainless steel welded pipes and tubes manufacturer. It is engaged in trading and manufacturing of all kind of pipes & tubes including stainless steel tubes. VPTL is promoted by Mr. Megharam Choudhary, Mr. Jayantiram Choudhary, Mr. Mahesh Puj, Mr. Hemant Shah, Mr. Dhruv Patel and Mr. Manoj Singh Jadon, all the promoters having vast business experience of over a decade in various fields i.e., manufacturing of corrugated box and industrial hardware, textile, land development, construction, warehousing services and transportation.



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Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	137.92	177.81
EBITDA	7.90	11.17
PAT	3.06	3.48
Total Debt	29.42	42.61
Adjusted Tangible Net worth	22.54	31.21
EBITDA Margin (%)	5.73%	6.28%
PAT Margin (%)	2.20%	1.94%
Overall Gearing Ratio (x)	0.93	0.93

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	20.63	IVR BBB-/ Stable Outlook	-	-	-
2.	Term Loan	Long Term	6.56	IVR BBB-/ Stable Outlook	-	-	-
3.	Letter of Credit	Short Term	22.00	IVR A3	-	-	-
4.	Forward Contract	Short Term	0.44	IVR A3	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:



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Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Cash Credit	-	-	-	20.63	IVR BBB-/ Stable Outlook
Long Term- Term Loan	-	-	-	6.56	IVR BBB-/ Stable Outlook
Short Term- Letter of Credit	-	-	-	22.00	IVR A3
Short Term- Forward Contract	-	-	-	0.44	IVR A3