



Press Release

VMS TMT Limited (erstwhile VMS TMT Private Limited)

January 10, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	211.83 (enhanced from Rs.100.93 crore) (includes proposed facility of Rs.29.00 Cr)	IVR BBB/ Stable (IVR triple B with Stable outlook)	IVR BB+/ Negative ISSUER NOT COOPERATING* (IVR double B plus with Negative Outlook Issuer Not Cooperating)	Rating upgraded and removed from Issuer Not Cooperating category; Outlook revised	Simple
Short Term Bank Facilities	62.10 (enhanced from Rs.3.00 crore)	IVR A3+ (IVR A three plus)	IVR A4+ ISSUER NOT COOPERATING* (IVR A four plus Issuer Not Cooperating)	Rating upgraded and removed from Issuer Not Cooperating category	Simple
Total	273.93 (Rupees two hundred and seventy three crore and ninety three lakhs only)				

** Issuer did not cooperate; based on best available information*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Earlier Infomerics had moved the ratings of VMS TMT Limited (erstwhile VMS TMT Private Limited) into Issuer Not Cooperating category vide its press release dated November 15, 2023, due to non-submission of information required for detailed review of the company. However, the company started cooperating and submitted required information. Consequently, Infomerics has removed the ratings from 'ISSUER NOT COOPERATING' category and upgraded the ratings.

The upgrade in the ratings of the bank facilities of VMS TMT Limited (VTL) has taken into account the significant improvement in the business risk profile buoyed by increase in revenue and profitability. Further, the ratings also factor in long track record of operations, experienced management, association with a reputed TMT bars brand "Kamdhenu" and efficient working



Press Release

capital management. However, the ratings are constrained by moderate financial risk profile, exposure to geographical concentration risk and intense competition and inherent cyclical nature of steel industry.

The outlook of VTL is expected to remain Stable as it is supposed to benefit from the extensive experience of the promoters coupled with strong business risk profile and efficient work capital management.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals.
- Improvement in the capital structure and debt protection metrics on a sustained basis.
- Managing working capital requirements efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company.
- Moderation in the capital structure and/ or coverage indicators.
- Elongation in the operating cycle with moderation in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Significant improvement in the business risk profile buoyed by increase in revenue and profitability**

The revenue of the company has witnessed a 2-year CAGR of ~33%, as it stood at Rs.872.96 Cr in FY2024 (refers to period April 1st, 2023, to Mar 31, 2024) from Rs.882.01 Cr in FY2023 (refers to period April 1st, 2022, to Mar 31, 2023) as compared to Rs.493.73 Cr in FY2022 (refers to period April 1st, 2021, to Mar 31, 2022). Further, the company has achieved Rs.534.57 Cr in 7MFY2025 (refers to period April 1st, 2024, to October 31, 2024) (Provisional).

Again, the profitability of the company increased significantly primarily on account of the decline in the raw material cost and installation of a coal automation plant in FY2024. The value of EBITDA stood at Rs.41.15 Cr in FY2024 from Rs.22.27 Cr in FY2023 as compared



Press Release

to Rs.16.17 Cr in FY2022. Again, the value of PAT stood at Rs.13.28 Cr in FY2024 from Rs.4.34 Cr in FY2023 as compared to Rs.6.88 Cr in FY2022. The EBITDA margin of the company increased to 4.71% in FY2024 from 2.52% in FY2023. Further, the PAT margin of the company increased to 1.52% in FY2024 from 0.49% in FY2023.

Furthermore, since October 2024, the company has an operational captive billet division, which will help to enhance the profitability margins of the company. In the medium term, the sustenance of the growth of the revenue and profitability margins of the company will be a key rating monitorable.

- **Long track record of operations and experienced management**

VMS TMT Limited has a long operational track record of more than a decade. In addition to this, the key promoter of VTL, Mr. Manoj Kumar Jain, has been in the industry for around four decades and has a strong understanding of local market dynamics. The promoter's background, experience and healthy relations with suppliers and customers will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Association with a reputed TMT bars brand "Kamdhenu"**

The strong business risk profile of the company is marked by its association with reputed TMT bars brand "Kamdhenu". Through a vast network of distributors and dealers, the company supplies TMT bars under the brand of Kamdhenu Limited, on royalty basis, across Gujarat. In addition to this, Kamdhenu Limited assists the company in supply of material at ease and helps the company to command a premium pricing in the market.

- **Efficient working capital management**

The efficient working capital management of the company is marked by the operating cycle of 43 days as on 31st March 2024. The operating cycle is primarily on account of comfortable debtor days and inventory days. The debtor period stood low at 5 days as on 31st March 2024 and the inventory levels and raw material holding period stood comfortable at 47 days as on 31st March 2024. Going forward, the working capital management of the company will remain at similar levels as evident from the low inventory level and debtor level.

Key Rating Weaknesses

- **Moderate financial risk profile**

The capital structure of the company remained moderately leveraged. The company's adjusted tangible net worth witnessed steady growth on the back of increasing profit and stood



Press Release

at Rs. 95.83 Cr as on March 31, 2024, from Rs.80.23 Cr as on March 31, 2023. The ATNW of the company consisted of unsecured loan from directors and other body corporates of Rs.49.33 Cr which is subordinated to the bank loan and therefore treated as quasi equity. Further, the adjusted gearing of the company stood moderately high at 1.55x as on March 31, 2024, as against 1.41x as on March 31, 2023. The adjusted Total outside Liabilities/Tangible Net Worth (ATOL/TNW) stood high at 2.00x as on March 31, 2024, as against 1.83x as on March 31, 2023. Moreover, the debt protection metrics of the company stood moderately comfortable marked by Interest Coverage Ratio at 2.23x as on March 31, 2024, and Debt Service Coverage Ratio at 1.55x as on March 31, 2024. However, the total debt/EBITDA stood high at 3.62x as on March 31, 2024. Going forward, the financial risk profile of the company will improve with no major debt funded capex plans.

- **Exposure to geographical concentration risk**

The company's entire revenue is derived from the sale of hot rolled TMT bars in the state of Gujarat, leading to a concentrated revenue profile, both in terms of product portfolio and geographical presence.

- **Intense competition and inherent cyclical nature of steel industry**

The downstream steel industry remains heavily fragmented and unorganised. The company is exposed to intense competitive pressures from a large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Complexity level of rated Instruments/Facilities](#)

Liquidity– Adequate

The company has adequate liquidity position marked by sufficient net cash accruals which stood at Rs.19.17 Cr as on March 31, 2024, as against long term debt repayment of Rs.5.78



Press Release

Cr over the same period. The cash and bank balances of the company stood at Rs.8.09 Cr as on March 31, 2024. However, the current ratio stood moderate at 1.19x as on March 31, 2024, and the quick ratio also stood weak at 0.32x as on March 31, 2024. The average fund-based limit utilisation remains moderately high at 90.75 per cent over the twelve months ended November 2024. Going forward, the company is likely to maintain adequate liquidity position supported by steady accruals.

About the Company

Incorporated in 2013, VMS TMT Limited (erstwhile VMS TMT Private Limited) is a Gujarat based company, engaged in the manufacturing of TMT bars. Earlier, the company was supplying the goods which were manufactured through job work from two plants namely H K Ispat Limited, Godhra and Kothi Steel Limited, Bhavnagar. In September 2021, the company started its operation of manufacturing TMT bars, and the manufacturing unit is located at Bhayla with an installed capacity of 2,00,000 MTPA per annum. The company has a royalty agreement with Kamdhenu Limited for supply of products under their brand name and sells TMT bars under the name Kamdhenu Nxt TMT Bars and Kay2 TMT Bars. Furthermore, the company has installed a coal automation plant in FY2024 and recently, in October 2024, the company has set up a captive billet division.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	882.01	872.96
EBITDA	22.27	41.15
PAT	4.34	13.28
Total Debt	113.49	148.89
Adjusted Tangible Net Worth	80.23	95.83
EBITDA Margin (%)	2.52	4.71
PAT Margin (%)	0.49	1.52
Overall adjusted Gearing Ratio (x)	1.41	1.55
Interest Coverage (x)	1.72	2.23

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:



Press Release

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					November 15, 2023	October 26, 2022	-
1.	Term Loans	Long Term	106.83	IVR BBB/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB-/ Stable	-
2.	Cash Credit	Long Term	71.00	IVR BBB/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB-/ Stable	-
3.	Overdraft	Long Term	5.00	IVR BBB/ Stable	-	-	-
4.	Proposed fund-based facility	Long Term	29.00	IVR BBB/ Stable	-	-	-
5.	Letter of Credit	Short Term	40.00**	IVR A3+	-	-	-
6.	Bank Guarantee	Short Term	22.10	IVR A3+	IVR A4+ ISSUER NOT COOPERATING*	IVR A3	-

*Issuer did not cooperate; based on best available information

**Buyers Credit of Rs.40.00 crore is a sublimit of Letter of Credit

Analytical Contacts:

Name: Kaustav Saha	Name: Sandeep Khaitan
Tel: (033) 48033621	Tel: (033) 48033621
Email: kaustav.saha@infomerics.com	Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



Press Release

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	-	October 2028	20.00	IVR BBB/ Stable
Term Loan 2	-	-	-	June 2030	8.00	IVR BBB/ Stable
Term Loan 3	-	-	-	February 2031	2.00	IVR BBB/ Stable
Term Loan 4	-	-	-	September 2025	2.00	IVR BBB/ Stable
Term Loan 5	-	-	-	March 2029	6.87	IVR BBB/ Stable
Term Loan 6	-	-	-	September 2031	30.00	IVR BBB/ Stable
Term Loan 7	-	-	-	September 2031	10.50	IVR BBB/ Stable
Term Loan 8	-	-	-	September 2031	2.00	IVR BBB/ Stable
Cash Credit 1	-	-	-	-	23.50	IVR BBB/ Stable
Term Loan 9	-	-	-	January 2028	2.56	IVR BBB/ Stable
Term Loan 10	-	-	-	April 2030	1.30	IVR BBB/ Stable
Cash Credit 2	-	-	-	-	37.50	IVR BBB/ Stable
Overdraft	-	-	-	-	5.00	IVR BBB/ Stable
Term Loan 11	-	-	-	December 2029	21.60	IVR BBB/ Stable
Cash Credit 3	-	-	-	-	10.00*	IVR BBB/ Stable
Proposed fund-based facility	-	-	-	-	29.00	IVR BBB/ Stable
Bank Guarantee 1	-	-	-	-	3.00	IVR A3+
Bank Guarantee 2	-	-	-	-	19.10	IVR A3+



Press Release

Letter of Credit	-	-	-	-	40.00**	IVR A3+
------------------	---	---	---	---	---------	---------

*WCDL of Rs.10.00 crore is a sublimit of Cash Credit

*FCDL of Rs.10.00 crore is a sublimit of Cash Credit

**Buyers Credit of Rs.40.00 crore is a sublimit of Letter of Credit

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-VMSTMT-jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.