



## Press Release

### Venkatesh Infra Projects Private Limited

January 27, 2023

#### Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long-Term Bank Facilities (Proposed)	40.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short-Term Bank Facilities (Proposed)	10.00	IVR A3+ (IVR Single A Three Plus)	Assigned	Simple
<b>Total</b>	<b>50.00</b> <b>(INR Fifty crore only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Venkatesh Infra Projects Private Limited (VIPPL) derives comfort from its experienced promoters and association with reputed steel manufactures. Further, the ratings also consider VIPPL's healthy improvement in operational performance in FY22 notwithstanding its small track record of operation coupled with its satisfactory capital structure and comfortable debt protection metrics. These rating strengths are partially offset by intense competition on account of fragmented industry structure and exposure to economic cyclicality and its thin profit margin owing to fluctuation in steel price.

#### Key Rating Sensitivities:

##### Upward factors

- Sustained growth in operating income with improvement in operating margin and consequent growth in cash accruals
- Sustenance of the capital structure with overall gearing to remain below 1.5x and/or improvement in debt protection metrics

##### Downward Factors

- Moderation in operating income and/or dip in profitability leading to impairment of cash accruals leading to moderation in the debt protection metrics on a sustained basis
- Deterioration in overall gearing to over 2x and/or moderation in interest coverage ratio to below 3x



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- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables impacting the financial risk profile, particularly liquidity.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters**

The promoters of the company have sufficient experience of more than one decade in the steel industry. Longstanding presence of the promoters in the industry has helped to build established relationships with both customers and suppliers.

- **Association with reputed steel manufacturers**

The company has a strong association with premium steel suppliers in the industry. Further, VIPPL has MOU with reputed suppliers.

- **Healthy improvement in operational performance in FY22 albeit small track record**

VIPPL has started its commercial operation from October 2020 and within a period of six months in FY21, the company had churned a revenue of Rs.310.44 crore. With its first full year of operation in FY22 backed by high domestic demand of rolled steel, structural products, and crash barriers, VIPPL's has achieved a topline of Rs.845.58 crore registering a y-o-y growth of ~169%. Driven by improved topline, the absolute EBITDA has also improved from Rs.5.17 crore in FY21 to Rs.19.83 crore in FY22. The gross cash accruals of the company have also remained satisfactory at Rs.10.88 crore in FY22. During 8MFY23, the company has achieved a revenue of ~Rs. 518 crore.

- **Satisfactory capital structure and comfortable debt protection matrices**

The capital structure of the entity has remained satisfactory as on its past two account closing dates with zero external debt in the balance sheet supported by a moderate net worth base of Rs.25.59 crore. As on March 31, 2022, only debt in the balance sheet of VIPPL is in the form of unsecured loan from the promoter amounting to Rs.4.03 crore. Consequently, the overall gearing has remained satisfactory at 0.16x as on March 31, 2022. Overall indebtedness of the company as reflected by TOL/TNW also stood comfortable at 3.28x as on March 31, 2022.

Debt protection metrics marked by interest coverage has remained comfortable at 3.26x in FY22. Total debt to EBITDA and Total debt to GCA remains satisfactory at 0.20x and 0.37x years respectively as on March 31, 2022.



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### **Key Rating Weaknesses:**

- **Small operational track record**

Being incorporated in October 2020 VIPPL has a short track record of operation in the industry.

- **Exposure to intense competition on account of fragmented industry structure and exposure to economic cyclicality**

The trading industry is fragmented and characterised by intense competition. The company's competitors are large number of organised and unorganised players, which restricts its pricing flexibility. However, the promoter's established track record of operations and association with well reputed companies for procuring traded goods gives it an edge over its peers. Moreover, the company is mainly selling to road infrastructure companies. The infrastructure sector is highly prone to economic cycle. Hence, the company is also exposed to high cyclicality in the infrastructure industry.

- **Thin margins which are exposed to fluctuations in steel prices**

The trading nature of business marked by low values addition and low product differentiation puts pressure on the company's operating margins, as evident from an operating margin of around 2.34% in FY22. Further, the margins are exposed to the fluctuation in prices and are constrained by the intense competition in the sector from other retailers, other steel brands and unorganised players in the region.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)

**Liquidity: Adequate**

The liquidity profile of the company is expected to remain adequate based on low reliance of external debt coupled with expected steady flow of cash accrual ranging around Rs.19-25 crore during the projected period of FY 23-FY25. In FY22, VIPPL has earned a gross cash accrual of Rs.10.48 crore. Moreover, the company has proposed to avail cash credit limit of Rs.40 crore.



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### About the Company

Incorporated in October 2020, Delhi based Venkatesh Infra Projects Private Limited (VIPPL) is a closely held private limited company promoted by one Agarwal family. The Agarwal family have industry exposure of more than four decades. The flagship company of the promoter's family is BLA Udyog Pvt Limited (BUPL). VIPPL is engaged in a Business to Business (B2B) segment of supplying of rolled steel and structural products such as TMT, plate, coil, angles, crash barriers to reputed infrastructure companies based on their ongoing project demand. VIPPL is also a channel partner of Steel Authority of India Ltd (SAIL) and Rastriya Ispat Nigam Limited (RINL). The company is being managed by Ms Ekta Agarwal and Ms Karishma Agarwal. Both the directors have a vast experience in the iron and steel industry. Ms. Karishma Agarwal and Ms. Ekta Agarwal have an experience in the steel industry for more than two decades.

### Financials of Venkatesh Infra Projects Private Limited (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	310.44	845.58
EBITDA	5.17	19.83
PAT	6.80	10.48
Total Debt	8.18	4.03
Tangible Net worth	15.10	25.59
EBITDA Margin (%)	1.67	2.34
PAT Margin (%)	2.16	1.24
Overall Gearing Ratio (x)	0.54	0.16
Interest Coverage Ratio (x)	26.53	3.26

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			(Rs. Crore)		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	40.00	IVR BBB;	-	-	-



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Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
	(Proposed)			Stable			
2.	Letter of Credit (Proposed)	Short Term	10.00	IVR A3+	-	-	-

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### About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)

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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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit Proposed	-	-	-	40.00	IVR BBB; Stable
Short Term Non-Fund Based Limits – Letter of Credit Proposed	-	-	-	10.00	IVR A3+

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Venkatesh-jan23.pdf>

**Annexure 3: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** 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](http://www.infomerics.com).