



Press Release

Venkatesh Infra Projects Private Limited

February 09, 2024

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facility	40.00	IVR BBB; Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Long-Term Bank Facility	60.00	IVR BBB; Stable (IVR Triple B with Stable outlook)	Assigned	Simple
Short-Term Bank Facility	10.00	IVR A3+ (IVR Single A Three Plus)	Reaffirmed	Simple
Short-Term Bank Facility	15.00	IVR A3+ (IVR Single A Three Plus)	Assigned	Simple
Total	125.00 (INR One hundred twenty five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation and assignment in the ratings assigned to the bank facilities of Venkatesh Infra Projects Private Limited (VIPPL) continue to derive comfort from its experienced promoters and association with reputed steel manufactures along with satisfactory unexecuted orderbook position. Further, the ratings also consider VIPPL's stable business performance with improvement in profitability notwithstanding its small track record of operation supported by satisfactory capital structure and comfortable debt protection matrices. These rating strengths are partially offset by intense competition on account of fragmented industry structure, exposure to economic cyclicality and its thin profit margin owing to fluctuation in steel price.

Upward factors

- Sustained growth in operating income with improvement in operating margin and consequent growth in cash accruals



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- 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
- 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. VIPPL procures the required material from companies like Utkarsh India Ltd, Jindal India Ltd, Steel Authority of India Ltd (SAIL) and Rastriya Ispat Nigam Limited (RINL). Such association with major steel players ensures goodwill and quality products being supplied to their customers.

- **Satisfactory orderbook position**

From FY24, the company got engaged into execution of EPC work such as supply, excavation, laying, jointing, hydro testing and commissioning of HDPE Pipe and installation of crash barriers on behalf of its clients on subcontract basis. The unexecuted order book of VIPPL as on December 31, 2023, stood at ~Rs.1546.30 crore which is expected to be executed in coming 12-24 months provides a strong small term revenue visibility for the company.

- **Stable business performance with improvement in profitability**

The company has witnessed moderation in its topline in FY23 mainly due to reduced sales volume along with reduction in average sales realisation from TMT and reduction in sales



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volume of steel structural products. However, the company has witnessed rise in sale of crash barriers which is a relatively high margin product. Based on the same, the absolute EBITDA and EBITDA margin of the company has improved in FY23 to 3.52% from 2.33% in FY22. Further, gross cash accruals of the company have improved in FY23 underpinned by rise in its profitability. From FY24, the company got engaged into execution of EPC work on subcontract basis and in 8MFY24, VIPPL has managed to churn out revenue of ~Rs.725 crore with better profit margins.

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

The capital structure of the company has remained satisfactory as on the account closing date with no external debt in the business supported by a moderate net worth base of Rs.40.13 crore as on March 31, 2023. As on March 31, 2023, VIPPL only has unsecured loan from the promoter amounting to Rs.1.50 crore leading to comfortable the long-term debt to equity and overall gearing 0.04x as on March 31, 2023. Overall indebtedness of the company as reflected by TOL/TNW improved and stood comfortable at 3.13x as on March 31, 2023, against 4.95x as on March 31, 2022. Debt protection metrics marked by interest coverage ratio has improved and remained comfortable at 4.04x in FY23 against 3.19x of FY22. Total debt to EBITDA and total debt to GCA also remains satisfactory at 0.06x and 0.08 years respectively as on March 31, 2023. However, the capital structure of the company is expected to deteriorate in the near term as during FY24 to support its growing operation, VIPPL has raised external debt in the form of working capital borrowings.

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 a 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, such as SAIL, RINL for procuring traded goods gives it an edge over its peers. Moreover, the company is mainly selling to road



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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 3.52% in FY23. 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. However, the profit margins of the company is expected to improve in the near term as the company has started execution of EPC projects since FY24 which has better margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)

[Policy on Default Recognition](#)

[Criteria on Complexity](#)

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 accruals in the projected period during FY24-FY26. In FY23, VIPPL earned a gross cash accrual of Rs.18.96 crore in FY23 with nil external debt repayment obligation. Moreover, in FY24, VIPPL has availed working capital limit of Rs.125 crore and the average working capital utilisation of the company had remained moderate at ~67% during the past twelve months ended December 2023 indicating sufficient liquidity buffer.

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. Agarwal family have industry exposure of more than four to five decades. Since commencement, VIPPL was predominantly engaged in a Business to Business (B2B) business of supplying of rolled steel and structural products such as TMT, plate, coil, angles, crash barriers to reputed



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infrastructure companies based on their ongoing project demand. Further, from FY24, VIPPL got engaged into execution of some of the EPC contracts on subcontract basis such as supply, excavation, laying, jointing, hydro testing and commissioning of HDPE Pipe and installation of crash barriers on behalf of its clients. VIPPL procures quality materials majorly from SAIL, Utkarsh India Ltd, Jindal India Ltd and RINL and supply these products to top infra companies such as Apcos Infratech Pvt Ltd, Rcc Developers Limited, PNC Infratech Ltd Ashoka Buildcon Ltd etc. VIPPL is being managed by Smt. Ekta Agarwal and Smt. Karishma Agarwal who have vast experience in the iron and steel industry.

Financials of Venkatesh Infra Projects Private Limited (Standalone): (Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	860.35	715.81
EBITDA	20.04	25.21
PAT	10.05	15.04
Total Debt	4.03	1.50
Tangible Net worth	25.15	40.13
EBITDA Margin (%)	2.33	3.52
PAT Margin (%)	1.17	2.09
Overall Gearing Ratio (x)	0.16	0.04
Interest Coverage	3.19	4.04

*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 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Jan 27, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	60.00	IVR BBB/ Stable	-	-	-
2.	Cash Credit	Long Term	40.00	IVR BBB/ Stable	IVR BBB/ Stable	-	-
3.	Letter of Credit	Short Term	15.00	IVR A3+	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Jan 27, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
4.	Letter of Credit	Short Term	10.00	IVR A3+	IVR A3+	-	-

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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).

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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	-	-	-	100.00	IVR BBB/ Stable
Short Term Non-Fund Based Limits –Letter of Credit	-	-	-	25.00	IVR A3+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Venkatesh-feb24.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