

**October 07, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA B-/Stable (Assigned)
Term Loan (proposed)	5.00	SMERA B-/Stable (Assigned)
Letter of Credit	2.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of **'SMERA B-' (read as SMERA single B minus)** and a short-term rating of **'SMERA A4' (read as SMERA A four)** to the Rs.11.00 crore bank facilities Vijay Steels N Forgings (VSF). The outlook is **'Stable'**. The ratings are constrained by the firm's stretched working capital cycle and weak financial risk profile. However, the ratings are supported by the firm's experienced management. The ratings also draw comfort from the strong revenue growth registered by the firm.

VSF, established in 2009, is a Mysore-based partnership firm engaged in manufacturing of customized open forgings and ring forgings components. VSF's working capital cycle is stretched at 318 days (provisional) in FY2013-14 (refers to financial year, April 01 to March 31) on account of high inventory holding of 353 days (provisional) and extended collection period of 153 days (provisional). The firm's weak financial risk profile is marked by debt-to-capital ratio of 4.36 times (provisional) as on March 31, 2014 and interest coverage ratio of 1.32 times (provisional) in FY2013-14. Further, VSF's net profit margin is low at 1.14 per cent (provisional) in FY2013-14.

VSF benefits from its experienced management. Mr. Dinesh Gupta, managing partner of VSF, has around two decades of experience in the steel trading business. The firm's revenue increased from Rs.0.72 crore in FY2009-10 to Rs.9.61 crore (provisional) in FY2013-14.

### Outlook: Stable

SMERA believes VSF will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while achieving improvement in working capital management and financial risk profile. The outlook may be revised to 'Negative' in case of decline in the firm's revenues and profit margins, or in case of deterioration in the firm's financial profile.

### About the firm

VSF, established in 2009, is a Mysore-based partnership firm promoted by Mr. Dinesh Gupta and Mrs. Ritu Gupta. VSF is engaged in manufacturing of customized open forgings and ring forgings components. The overall operations of the firm are managed by Mr. Dinesh Gupta.

For FY2013-14, VSF reported profit after tax (PAT) of Rs.0.11 crore (provisional) on operating income of Rs.9.61 crore (provisional), as compared with PAT of Rs.0.11 crore on operating income of Rs.8.08 crore in the previous year. VSF's net worth stood at Rs.2.14 crore (provisional) as on March 31, 2014, as compared with Rs.2.09 crore a year earlier. The firm's total debt stood at Rs.8.41 crore (provisional) as on March 31, 2014, as compared with Rs.7.39 crore a year earlier.

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