

Press Release

Vishnu Enterprises

August 11, 2022

Rating Reaffirmed



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|---------------------------------|-------------------|
| Bank Loan Ratings | 20.00 | ACUITE BB Stable Reaffirmed | - |
| Total Outstanding Quantum (Rs. Cr) | 20.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BB**' (read as **ACUITE double 'B'**) on the Rs.20.00 Cr bank facilities of Vishnu Enterprises (VE). The outlook is '**Stable**'.

The rating reaffirmed favourably factors in its proprietor's extensive experience in industry, efficient working capital management and adequate liquidity. The rating, however, is constrained by below-average financial risk profile.

About the Firm

Established in 1989 and based in Chennai (Tamil Nadu), Vishnu Enterprises (VE) is a proprietorship firm and is founded and managed by Mr. Rajesh Mittal (Proprietor). VE is engaged in the trading and distributorship of TMT bars, TMT Re-bars, structural and binding wires. The firm is an exclusive distributor of Jindal Steel & Power Limited (JSPL) for Panther TMT Re-bars and official channel partner of Arun Vyapar Udyog Private Limited (AVUPL) for TMT bars for the state of Tamil Nadu and Pondicherry.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Vishnu Enterprises (VE) to arrive at this rating.

Key Rating Drivers

Strengths

Proprietor's extensive experience in the steel industry; established track record of operations in the region of Tamil Nadu

Vishnu Enterprises is managed by Mr. Rajesh Mittal (Proprietor) and has been part of the day-to-day operations of the firm for more than 3 decades. Mr. Mittal ventured into the steel business at an early age and through the support and network of existing players with extensive experience in the industry, Mr. Mittal was able to grow the business at a significant pace. The extensive experience of the proprietor is reflected through the established

relationship with its customers and suppliers. The key suppliers of the firm include Jindal Steel and Power Limited (JSPL), Arun TMT amongst others. The firm is exclusive distributor of JSPL Panther TMT Re-bars and channel partner for Arun TMT bars for the region of Tamil Nadu and Pondicherry. The firm has more than 500 dealers for catering to the demand of TMT bars and rebars in the region of Tamil Nadu and Pondicherry. The firm currently have total 6 godowns in Vellore, Coimbatore, Gummidipoondi, Vichoor and Burma Nagar for facilitating efficient operation and distribution. Acuité believes that VE will continue to derive benefits from its experienced management and established presence and track record of operations over the medium term.

Low customer concentration risk on revenue profile

VE has more than 500 dealers under the trading business of TMT bars and rebars, thus ensuring diversified customer base across the region of Tamil Nadu and Chennai. None of the single customer of VE contributed more than 20 per cent of total sales of the firm. The top 10 customers of the firm cumulatively contribute around 20-30 per cent to the total revenue generation of the firm. Acuité believes that VE has low risk towards its revenue profile in terms of customer concentration.

Efficient Working capital management

Vishnu enterprises working capital management is efficient marked by its GCA of 65 days as on March 31, 2022 (Provisionals) against 82 days as on March 31, 2021. Debtor days stood at 52 days as on March 31, 2022 (Provisionals) against 40 days as on March 31, 2021. Creditor days are at 9 as on March 31, 2022(Provisional) against 10 days as on March 31, 2021. The current ratio of the firm stood at 1.90 times. Inventory days stood at 13 days as on March 31, 2022(Provisionals). Acuité believes that working capital management of the firm will remain efficient over the medium term

Weaknesses

Below Average Financial Risk Profile:

The Firm's financial risk profile is below average marked by low gearing net worth, high gearing (debt-to equity), and moderate total outside liabilities to total net worth (TOL/TNW) and healthy debt protection metrics. Net worth is moderate at Rs. 5.93 Cr as on March 31, 2022(Provisionals) as compared to Rs.5.06 Cr as on March 31, 2021. Gearing is high at 4.48 times as on March 31, 2022(Provisionals). TOL/TNW is moderate at 6.72 times as on March 31, 2022 against 7.76 times as on March 31, 2021. Interest coverage ratio stood healthy at 1.45 times as on March 31, 2022 from 1.27 times on March 31, 2021. Debt service coverage ratio(DSCR) stood at 1.44 times as on March 31, 2022 . Acuité believes that financial risk position of the firm will improve over the medium term.

Withdrawal of capital by proprietor

VE is a proprietorship firm and is exposed to the likeliness of the proprietor withdrawing capital from the business. The capital account of the proprietor of the firm has been fluctuating in past financial years indicating the withdrawal of capital from the business.

Exposure to intense competition and susceptibility to cyclicality in the steel business

The firm faces intense competition from organized as well as unorganized players catering to regional demands. Also, firm's operating income is linked to the performance of the steel industry (TMT), which has witnessed volatility in the past financial years. Acuité believes that the firm's operating metrics is susceptible to intense competition and inherent risks in the steel industry.

Rating Sensitivities

- Improvement in the scale of operations and sufficient liquidity
- Sustainable improvement in Profitability, Leverage and Solvency position of the firm.
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Any weakening of financial risk profile of the firm.

Material covenants

None

Liquidity: Adequate

VE has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.1.45Cr for FY22, with debt repayment obligations of Rs.0.01Cr for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs.1.9Cr – Rs.2.50Cr over the medium term. The firm's working capital operations are moderate, marked by GCA of 65 days for FY22. Unencumbered cash and bank balances stood at Rs.0.08 crore as on March 31, 2022. The current ratio of the firm stood at 1.90 times in FY22. Bank limits utilization of the group stood below average at ~42 percent, over the past 12 months ending 30 April, 2022. Acuité believes that the liquidity position of the firm is likely to remain adequate on account of adequate cash accruals against its debt repayments over the medium term.

Outlook: Stable

Acuité believes that VE will continue to benefit over the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'Positive', in case of increasing scale of operations leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case VE registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Key Financials

| Particulars | Unit | FY 22 (Provisional) | FY 21 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 232.25 | 180.60 |
| PAT | Rs. Cr. | 1.20 | 0.94 |
| PAT Margin | (%) | 0.52 | 0.52 |
| Total Debt/Tangible Net Worth | Times | 4.84 | 6.38 |
| PBDIT/Interest | Times | 1.45 | 1.27 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|-----------|-----------------|-------------------------------|
| 19 May 2021 | Term Loan | Long Term | 0.06 | ACUITE BB Stable (Assigned) |
| | Working Capital Term Loan | Long Term | 0.12 | ACUITE BB Stable (Assigned) |
| | Cash Credit | Long Term | 19.82 | ACUITE BB Stable (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|----------------------|----------------|---------------------------|-------------------------|--------------------|----------------------|--------------------------|---------------------------------------|
| Indusind Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 19.82 | ACUITE BB Stable Reaffirmed |
| Indusind Bank Ltd | Not Applicable | Term Loan | 08-01-2019 | 8.90 | 31-12-2021 | 0.06 | ACUITE BB Stable Reaffirmed |
| Indusind Bank Ltd | Not Applicable | Working Capital Term Loan | 28-10-2020 | 8.50 | 05-12-2024 | 0.12 | ACUITE BB Stable Reaffirmed |

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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