



Press Release
Vishnu Enterprises
November 08, 2023
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	-	-

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**'.

Rating for reaffirmation

The rating reaffirmation is primarily driven by stable operating performance of company in FY2023 marked by improvement in operating income and efficiently managed working capital. The turnover of VE stood at Rs.285.62 Cr in FY2023 as against Rs.230.95 Cr in FY2022. the operating margins ranged from 1.03 - 1.22 percent for last two years ended FY2023. The rating also factors the low customer concentration risk on revenue profile, efficient working capital management and adequate liquidity. the rating, however, is constrained by below - average financial risk profile, withdrawal of capital by proprietor and exposure to intense competition and susceptibility to cyclicity in the steel business.

About the Company

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

Unsupported Rating

Not Applicable

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 go-downs in Vellore, Coimbatore, Gummidipoondi, Vichoor and Burma Nagar for facilitating efficient operation and distribution.

VE has reported turnover of Rs.285.62 Cr in FY2023 as against Rs.230.95 Cr in FY2022 with 23.67 percent growth in FY2023. The growth in the revenue is majorly due to increase in the demand of the construction industries. The operating margin moderated slightly as it stood at 1.03 percent as on FY2023, 1.22 percent as on FY2022 as against 2.74 percent in FY2021. The reason for the moderated operating margin in FY2023 and FY2022 is mainly due to increase in competition and hence firm is focused on the increasing its turnover and in turn increasing its absolute EBITDA. The PAT margin stood at 0.40 percent in FY2023 in comparison to 0.49 per cent in FY2022.

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 66 days as on March 31, 2023 against 56 days as on March 31, 2022. Debtor days have improved and stood moderate at 47 days as on March 31, 2023 against 58 days as on March 31, 2022. Creditor days are low with 7 days as on March 31, 2023 as against 15 days as on March 31, 2022. The current ratio of the firm stood at 1.77 times. Inventory days stood at 36 days as on March 31, 2023. 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 and net worth, high gearing (debt-to equity), and moderate total outside liabilities to total net worth (TOL/TNW) and debt protection metrics. Net worth is low stood at Rs.11.75 Cr as on March 31, 2023 against Rs.5.62 Cr as on March 31, 2022. The increase in net worth is due to addition of quasi equity of Rs.6.18 Cr. The debt-equity ratio stood at 3.61 times as on March 31, 2023 as against 5.10 times as on March 31, 2022. High gearing ratios is mainly due to high unsecured loans from proprietor. The adjusted debt equity stood at 2.08 times as on March 31, 2023 as against 1.91 times as on March 31, 2022. The total debt of Rs.42.35 Cr as on March 31, 2023 consist of long-term debt of Rs.0.69 Cr, USL from directors/ promoters of Rs.17.89 Cr, Short term debt of Rs.22.73 Cr and maturing portion of long term borrowings of Rs.1.05 Cr. TOL/TNW (Total outside liabilities/Total net worth) has improved and stands at 4.53 times as on 31 March, 2023 against 8.04 times in previous year. Debt protection metrics stood moderate with Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 1.39 times and 1.07 times respectively in FY2023 as against 1.43 and 1.18 times respectively in the previous year.

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 cyclicity 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.
- Any weakening of financial risk profile of the firm.

All Covenants

Not Available

Liquidity Position: Adequate

VE has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals in the range of Rs.1.36 -1.18 Cr during last three years ending March 31, 2023 as against its long term debt obligations of Rs.1.05 Cr for the same period. The firm is expected to generate healthy NCAs in the range of Rs.2.50-3.99 Cr. against modest CPLTD of Rs.1.54 Cr. The firm's working capital operations are moderate, marked by GCA of 66 days for FY2023. Unencumbered cash and bank balances stood at Rs.0.03- crore as on March 31, 2023. The current ratio of the firm stood at 1.77 times in FY2023. The Bank limit utilization for the fund based facilities of firm is moderately utilized at an average of nearly of 53.15% for the 12 months ending September 2023. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	285.62	230.95
PAT	Rs. Cr.	1.14	1.13
PAT Margin	(%)	0.40	0.49
Total Debt/Tangible Net Worth	Times	3.61	5.10
PBDIT/Interest	Times	1.39	1.43

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Aug 2022	Term Loan	Long Term	0.06	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	19.82	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.12	ACUITE BB Stable (Reaffirmed)
19 May 2021	Working Capital Term Loan	Long Term	0.12	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	19.82	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.06	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BB Stable Reaffirmed

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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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