

September 03, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	13.00	SMERA B/Stable (Assigned)
Bank Guarantee	5.00	SMERA A4 (Assigned)

SMERA has assigned a long term rating of '**SMERA B**' (**read as SMERA single B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.18.00 crore bank facilities of Venkateshwara Sponge & Iron Co Private Limited (VSICPL). The outlook is '**Stable**'. The rating is constrained by the weak financial risk profile marked by high gearing and moderate coverage indicators of the company. The rating is also constrained by the small scale of operations. However, the rating derives comfort from the extensive experience of the promoters in the sponge iron industry.

Outlook: Stable

SMERA believes VSICPL will maintain a stable risk profile in the medium term on account of its experienced management and moderate operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in the working capital management. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected growth in revenues and profitability or further deterioration in the financial risk profile.

Rating Sensitivity Factors

- Ability to scale up operations while maintaining profitability
- Improvement in the capital structure

About the Company

The Jharkhand-based, VSICPL was promoted by Shri Birendra Roy (Managing Director) and his son Shri Saurabh Kumar (Director) in 2008. The company manufactures sponge iron and has a capacity of 100 MT per day (approx 30000 MT per annum from one kiln).

For FY2013-14, the company reported profit after tax (PAT) of Rs.0.03 crore on operating income of Rs.11.90 crore as compared with PAT of Rs.0.05 crore on operating income of Rs.29.25 crore for FY2014-15(Prov).

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