



SMERA RATINGS LIMITED

Shri Veerganapathi Steels Private Limited (SVSPL)

*Rating
Rationale***November 18, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	20.00	SMERA BB-/Stable (Assigned)
Proposed Letter of Credit	10.00	SMERA A4+ (Assigned)
Proposed Bank Guarantee	5.00	SMERA A4+ (Assigned)

SMERA has assigned a long term rating of '**SMERA BB-'** (read as **SMERA double B minus**) and short term rating of '**SMERA A4+'** (read as **SMERA A four plus**) to the above mentioned bank facilities of Shri Veerganapathi Steels Private Limited (SVSPL). The outlook is '**Stable**'.

The ratings derive comfort from the established track record of the promoters, strong trading network and the stockless retail business model adopted by the company. The ratings also draw support from the moderate financial risk profile marked by comfortable gearing. However, the ratings are constrained by the muted revenue growth from FY2012-13 to FY2014-15, below average coverage indicators and thin profit margins. Also, the working capital intensive business and the highly competitive steel industry are other constraints.

Outlook: Stable

SMERA believes that the company will continue to benefit over the medium term from the promoters' extensive experience in the steel trading business. The outlook may be revised to 'Positive', if the company achieves increased revenue growth with sustained improvement in its profit margins along with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the revenue and profit margins or deterioration in the company's capital structure.

Rating Sensitivity Factors

- Scaling up of operations while maintaining better profit margins
- Managing incremental working capital requirement
- Change in capital structure

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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Shri Veerganapathi Steels Private Limited (SVSPL)

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About the Company

SVSPL incorporated in 1997, is a Chennai-based company engaged in the trading of steel angles, channels, plates among others. The company's day-to-day activities are managed by Mr. Narayan Maheswari, Managing Director and his son, Mr. Vidhur Maheswari. SVSPL has branch offices at Visakhapatnam, Raipur and Kolkata.

For FY2014-15, the company reported PAT (profit after tax) of Rs.0.52 crore on operating income of Rs.140.22 crore as against PAT of Rs.0.46 crore on total operating income of Rs.195.20 crore in the previous year. The company booked revenue of Rs.141 crore from April, 2015 to October, 2015. The net worth stood at Rs.7.99 crore against total debt of Rs.20.24 crore as on March, 31, 2015.

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