

November 18, 2015

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

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

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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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