

### Shree Vaishnav Ispat Private Limited: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	25.00	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.25.00 crore bank facility of Shree Vaishnav Ispat Private Limited (SVIPL). The outlook is '**Stable**'.

The rating derives comfort from the long track record of operations, experienced management, moderate financial risk profile and stable profit margins. However, the rating is constrained by the working capital intensive operations, volatility in raw material prices and intense market competition.

SVIPL was established in 1995. The company is headed by Directors, Mr. Narendra Sharma and Mr. Pravin Khade who possess over a decades experience in the steel industry. The average financial risk profile is marked by comfortable gearing of 1.20 times as on March 31, 2016 and interest coverage ratio of 1.69 times for FY2015-16 (refers to financial year, April 01 to March 31). The scale of operations is moderate with stable profit margins. The revenue stands at Rs.120.90 crore for FY2015-16 and is majorly driven by trading of steel products. The EBITDA margin improved from 3.38 per cent in FY2014-15 to 4.80 per cent in FY2015-16. The company had stopped manufacturing TMT bars in FY2014-15 on account of the threat of cheap imports. However, the production is expected to re-start from August 2016 in its existing set up of 60,000 MTPA.

SVIPL's operations are working capital intensive on account of sluggishness in receivables resulting in high working capital cycle days of 110 for FY2015-16. Further, the average cash credit limit utilisation for the last six months ended May, 2016 stands at 99.72 per cent. The company operates in a highly competitive and fragmented steel industry with threat of cheap imports from China. Further, its margins are susceptible to volatility in commodity prices.

#### Rating Sensitivity Factors

- Commencement of manufacturing activities
- Operating on stable margins
- Efficient working capital management

#### Outlook-Stable

SMERA believes that SVIPL will maintain a stable outlook and benefit over the medium term from its experienced management and established presence in the steel trading industry. The outlook may be revised to 'Positive' in case of sustained growth in revenues while improving margins. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

## About the Company

SVIPL, incorporated in 1994 is a Mumbai-based company engaged in the trading and manufacturing of steel products. The company is managed by Mr. Narendra Sharma and Mr. Pravin Khade who possess over a decades experience in the said field. The installed manufacturing capacity stands at 12,000 metric tonnes per annum for MS bars and 60,000 metric tonnes per annum for TMT bars.

In FY2015-16, SVIPL reported profit after tax (PAT) of Rs.0.94 crore on operating income of Rs.120.90 crore as against profit after tax (PAT) of Rs.0.94 crore on operating income of Rs.96.20 crore in FY2014-15.

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