

Venkateswara Steels & Springs India Private Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	4.00 (revised from 2.75)	SMERA BBB-/Stable (Reaffirmed)
Term Loan 3	1.41 (revised from 1.50)	SMERA BBB-/Stable (Reaffirmed)
Term Loan 4	2.00	SMERA BBB-/Stable (Reaffirmed)
Bank Guarantee	0.15	SMERA A3 (Reaffirmed)
Proposed Fund based facilities	2.34	SMERA BBB-/Stable (Assigned)
Term Loan 1	2.25	SMERA BBB-/Stable (Withdrawn)
Term Loan 2	1.00	SMERA BBB-/Stable (Withdrawn)

SMERA has reaffirmed the ratings of '**SMERA BBB-**' (**read as SMERA triple B minus**) and '**SMERA A3**' (**read as SMERA A three**) on the Rs.7.56 crore bank facilities of Venkateswara Steels & Springs (India) Private Limited (VSSPL). SMERA has also assigned rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) to the Rs.2.34 crore proposed fund based facilities of VSSPL. The outlook is '**Stable**'. Further, SMERA has withdrawn rating of '**SMERA BBB-**' on the Rs.3.25 crore bank facilities of VSSPL as there are no dues outstanding in the account.

The ratings continue to derive comfort from the company's established track record of operations, vast experience of promoters and healthy financial risk profile. The ratings are however constrained by the small scale of business, declining profit margins and exposure of the company to customer and sector concentration risks.

Update

VSSPL's revenues increased from Rs.27.31 crore in FY2013-14 (refers to financial year, April 01 to March 31) to Rs.32.86 crore in FY2014-15 on account of revival of the auto industry. The company registered revenue of Rs.36.99 crore in FY2015-16 (provisional). The operating margin however declined from 10.21 per cent in FY2013-14 to 7.95 per cent in FY2014-15.

VSSPL's financial risk profile continues to remain healthy with gearing (debt-equity ratio) at 0.48 times as on March 31, 2015. The interest coverage ratio stood at 2.73 times in FY2014-15. In FY2015-16, the company repaid two of its term loans. VSSPL has maintained comfortable working capital cycle of 40-50 days during the past five years.

However, the company continues to remain exposed to customer and sector concentration risks due to high dependence on orders (around 70 per cent revenue) from its main client, Brakes India Private Limited.

Rating Sensitivity Factors

- Improving scale of operations while maintaining stable margins
- Efficient working capital management

Outlook: Stable

SMERA believes that VSSPL will maintain a stable outlook and continue to benefit from its experienced management and established track record. The outlook may be revised to 'Positive' if the scale of operations improves substantially while maintaining profit margins. Conversely, the outlook may be revised to 'Negative' in case the company's business risk profile weakens resulting in lesser than expected revenues or profitability and deterioration in the working capital cycle.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

VSSPL, the erstwhile Venkateswara Steels, is a Coimbatore-based company headed by Mr. M. S. Vijayaraghavan, Mr. M. S. Anathakrishnan and Mr. L. Dhanapal to manufacture precision springs, press components and sub-assemblies. The company majorly caters to the automobile and textile sectors.

For FY2014-15, VSSPL reported net profit of Rs.0.53 crore on operating income of Rs.32.86 crore as compared with net profit of Rs. 0.69 crore on operating income of Rs. 27.31 crore for FY2013-14. Further, as per provisional figures for FY2015-16, the company reported net profit of Rs. 0.83 crore on operating income of Rs.36.99 crore

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
22 June, 2015	Cash Credit	2.75	SMERA BBB- (Assigned)	-	Stable
	SME Credit plus	0.25	SMERA BBB- (Assigned)	-	Stable
	Term Loan 1	2.25	SMERA BBB- (Assigned)	-	Stable
	Term Loan 2	1.00	SMERA BBB- (Assigned)	-	Stable
	Term Loan 3	1.50	SMERA BBB- (Assigned)	-	Stable
	Term Loan 4	2.00	SMERA BBB- (Assigned)	-	Stable
	Bank Guarantee	0.15	-	SMERA A3 (Assigned)	-

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ABOUT SMERA

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