

Press Release

VENKATESWARA STEELS & SPRINGS INDIA PRIVATE LIMITED

December 13, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.90 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 9.90 crore bank facilities of VENKATESWARA STEELS AND SPRINGS (INDIA) PRIVATE LIMITED. The outlook is '**Stable**'.

Venkateswara Steels & Springs (India) Private Limited (VSSPL) (the erstwhile partnership company) was incorporated in 2006 by Mr. M. S. Vijayaraghavan (Managing Director), Mr. M. S. Ananthakrishnan (Director) and Mr. L. Dhanapal (Director). The Coimbatore-based VSSPL is engaged in the manufacturing of precision springs, press components and sub assemblies and has an installed capacity of 8.17 crore units. The current utilisation is 6.26 crore units. VSSPL majorly caters to the automobile and textile sectors.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The company has been in this line of business for more than two decades. It was established as a partnership firm in 1993 under the name 'Venkateswara Steels'. Later in 2006, the constitution of the company was changed to private limited.

- Steady growth in revenues**

VSSPL booked revenue of Rs 44.13 crore in FY2017 as against Rs.36.99 crore in FY2016 registering a 19 per cent growth y-o-y. The company largely caters to the automobile industry.

- Healthy financial risk profile**

The financial risk profile is marked by modest networth, healthy gearing and moderate debt protection measures. The networth stood at Rs 9.62 crore as on 31 March, 2017 compared to Rs. 9.28 crore as on 31 March, 2016. The debt equity stands at 0.65 times in FY2017. The total debt of Rs 6.27 crore consists of Rs 1.91 crore of long term debt in the form of term loans and Rs 3.62 crore of short term debt facility. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.26 times while Debt Service Coverage (DSCR) stood at 1.48 times as on 31 March, 2017. The Interest Coverage Ratio stood at 2.21 times in FY2017 as against 2.44 times in FY2016.

- Efficient working capital management**

VSSPL has efficient working capital management with Gross Current Asset (GCA)days of 89 in FY2017 compared to 86 in FY2016. The debtors stood at 31 days while and inventory at 53 days. The average cash credit utilisation has been comfortable at around 65.66 per cent for six months ended Oct 2017.

Weaknesses

- Customer concentration risk**

With VSSPL's major client, Brakes India Private Limited (Brakes India) accounting for ~70 percent revenue, the company is exposed to customer concentration risk. Brakes India caters to the auto ancillary industry,

and hence VSSPL is indirectly affected by volatility in the auto sector.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of VSSPL.

Outlook: Stable

SMERA believes that VSSPL will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected revenues. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and higher than expected debt funded working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17, VSSPL reported profit after tax (PAT) of Rs. 0.37 crore on operating income of Rs.44.13 crore compared with PAT of Rs.0.18 crore on operating income of Rs.36.99 crore for FY2015-16. The networth stood at Rs.9.62 crore as on 31 March, 2017 as against Rs.9.28 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Sep-2016	Cash Credit	Long Term	INR 4	SMERA BBB- / Stable
	Term Loan	Long Term	INR 1.41	SMERA BBB- / Stable
	Term Loan	Long Term	INR 2	SMERA BBB- / Stable
	Bank Guarantee	Short Term	INR 0.15	SMERA A3
	Proposed Working Capital Demand Loan	Long Term	INR 2.34	SMERA BBB- / Stable
	Term Loan	Long Term	INR 2.25	SMERA BBB- / Stable
	Term Loan	Long Term	INR 1	SMERA BBB- / Stable
22-Jun-2015	Cash Credit	Long Term	INR 2.75	SMERA BBB- / Stable
	Working Capital Demand Loan	Long	INR 0.25	SMERA BBB- / Stable

	Term		
Term Loan	Long Term	INR 2.25	SMERA BBB- / Stable
Term Loan	Long Term	INR 1	SMERA BBB- / Stable
Term Loan	Long Term	INR 1.5	SMERA BBB- / Stable
Term Loan	Long Term	INR 2	SMERA BBB- / Stable
Bank Guarantee	Short Term	INR 0.15	SMERA A3

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.89	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.15	SMERA A3
Term loans	Not Applicable	Not Applicable	Not Applicable	1.58	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.28	SMERA BBB- / Stable

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ABOUT SMERA

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