

Shree Venktesh Wires Steel Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	10.00	SMERA BB/Stable (Assigned)
Cash Credit (Proposed)	5.00	SMERA BB/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA double B**) on the Rs.15.00 crore bank facilities of Shree Venktesh Wires Steel Private Limited (Shree Venktesh). The outlook is '**Stable**'.

The rating draws comfort from the experienced management. The rating also factors in the comfortable financial risk profile marked by moderate net worth and gearing and healthy coverage indicators. However, the rating is constrained by the company's low profitability and volatility in steel prices. The rating also factors in the intense competition in the steel industry.

Shree Venktesh, incorporated in 1979, trades in stainless steel. The company benefits from its experienced management. Mr. Binod Bhagat and Mrs. Anita Bhagat, Directors, possess experience of around three decades in the trading of steel. The revenue stood at Rs.204.19 crore in FY2016 (provisional) against Rs.102.07 crore in FY2013 registering a four year CAGR of 18.93 per cent. The financial position of the company is comfortable marked by moderate net worth of Rs.9.76 crore in FY2016 (provisional), moderate gearing of 1.53 times, healthy interest coverage ratio (ICR) of 2.67 times and healthy debt service coverage ratio (DSCR) of 3.16 times in FY2016 (Provisional).

However, the rating is constrained by the company's low profitability marked by low operating margin of 2.17 per cent in FY2016 (Provisional). This is mainly due to the trading nature of operations, low net profit margin of 0.90 per cent in FY2016 (Provisional), intense market competition and susceptibility of profit margins to volatility in steel prices.

Rating Sensitivity Factor

- Scaling up operations while improving profitability

Outlook-Stable

SMERA believes that Shree Venktesh will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues and net cash accruals while maintaining better profit 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 rating:

- Trading entities

About the Company

Shree Venktesh, promoted by Mr. Binod Bhagat and family in 1979, is a Mumbai-based company that trades in steel. The company has well-established relations with Jindal Stainless Limited and Jindal Stainless Hisar Limited and was appointed authorised dealer in 1996.

For FY2015–16, Shree Venktesh registered profit after tax (PAT) of Rs.1.14 crore on operating income of Rs.152.96 crore, as compared with PAT of Rs.1.36 crore on operating income of Rs.147.72 crore in FY2014–15. The tangible net worth stood at Rs.7.92 crore as on March 31, 2015 as against Rs.6.78 crore in the previous year.

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ABOUT SMERA

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