

## Press Release

### SHREE VENKTESH WIRES STEEL PRIVATE LIMITED

December 12, 2017

#### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs. 15.00 Cr.
<b>Long Term Rating</b>	SMERA BB+ / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 15.00 crore bank facilities of SHREE VENKTESH WIRES STEEL PRIVATE LIMITED. The outlook is '**Stable**'.

Shree Venktesh Wires Steel Private Limited (Shree Venktesh), incorporated in 1979, is a Mumbai-based company promoted by Mr. Binod Bhagat and Mrs. Anita Bhagat. The company is engaged in the trading of stainless steel products (alloy steel round bars, hexagons, squares, flats & wire rods). The rating upgrade reflects improvement in the profitability, financial risk profile and debt protection metrics.

#### Key Rating Drivers

##### Strengths

- **Experienced management**

Shree Venktesh benefits from its experienced management. The promoter, Mr. Binod Bhagat has around three decades of experience in the steel trading business. SMERA believes that the company will continue to benefit from its experienced management and long-standing relationships with clients.

- **Moderate business risk profile**

Shree Venktesh registered healthy revenue growth of ~33.49 per cent in FY2015-16 over the previous year. Revenue stood at Rs.204.19 crore in FY2015-16 as against Rs.152.96 crore in FY2014-15 mainly on account of healthy demand. However, as per provisional financials for FY2017, Shree Venktesh registered revenue of Rs.183.21 crore (Provisional) due to decline in demand from customers owing to demonetisation. The EBITDA margins improved to 2.66 percent in FY2017 (Provisional) from 2.11 percent in FY2016 mainly on account of efficient cost management. Further, the PAT margins stood at 1.15 percent in FY2017 (Provisional) as against 0.87 percent in FY2016. However, profitability is moderate on account of the trading nature of business. Further, the company is one of the authorised dealers for Jindal Stainless since 1996 and hence it has long term relations with the company.

- **Moderate financial risk profile and working capital cycle**

Shree Venktesh has moderate financial risk profile marked by tangible networth of Rs.12.44 crore as on 31 March, 2017 (Provisional) as against Rs.9.70 crore as on 31 March, 2016. The gearing improved to 1.44 times as on 31 March, 2017 (Provisional) from 1.54 times as on 31 March, 2016. The total debt of Rs.17.94 crore as on 31 March, 2017 consists of working capital loan of Rs. 10.29 crore, unsecured interest bearing loans from directors and relatives of Rs.6.90 crore and Rs.0.75 crore of vehicle loan. Shree Venktesh has moderate interest coverage ratio of 2.70 times in FY2016-17 (Provisional) as against 2.65 times in FY2015-16. The gearing is expected to remain comfortable in the medium term in the absence of external borrowing. The working capital cycle has remained comfortable at 25 days in FY2017 (47 days in FY2016) on account of effective management of working capital. SMERA believes that the company will sustain its moderate financial risk profile in the absence of debt funded capex plan.

##### Weaknesses

- **Volatility in raw material prices and finished goods**

The margins are susceptible to volatility in steel prices. Significant changes in steel prices due to import pressure and over supply would have an impact on the margins of the company.

• **Highly fragmented industry, intense competition**

The company operates in a highly competitive industry thereby putting pressure on capacity utilisation and pricing power. In addition, the industry is reeling under the pressure of cheaper imports. Slowdown in demand and threat of cheaper imports has led to piling up of inventory or low margins.

**Analytical Approach**

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

**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 of operations. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenue and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile.

**About the Rated Entity - Key Financials**

For FY2015-16, Shree Venktesh reported net profit of Rs.1.78 crore on total operating income of Rs.204.19 crore compared with net profit of Rs.1.14 crore on total operating income of Rs.152.96 crore in FY2014-15. The tangible net worth stood at Rs.9.70 crore as on 31 March, 2016 as against Rs.7.92 crore in the previous year. As per provisional financials for FY2016-17, Shree Venktesh reported PAT of Rs. 2.11 crore on total operating income of Rs.183.21 crore.

**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>
- Trading Entities - <https://www.smera.in/criteria-trading.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
15-Sep-2016	Cash Credit	Long Term	INR 10	SMERA BB / Stable
	Proposed Cash Credit	Long Term	INR 5	SMERA BB / Stable

**\*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	15.00	SMERA BB+ / Stable

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**ABOUT SMERA**

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