

Press Release

Shree Venkatesh Wires Steel Private Limited

December 14, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs. 15.00 crore bank facilities of Shree Venkatesh Wires Steel Private Limited (SVPL). The outlook is '**Stable**'.

SVPL, incorporated in 1979, is a Mumbai-based company promoted by Mr. Binod Bhagat and Mrs. Anita Bhagat. SVPL is engaged in trading of stainless steel products (alloy steel round bars, hexagons, squares, flats and wire rods).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Shree Venkatesh Wires and Steel Private Limited (SVPL) to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

SVPL is managed by its promoter, Mr. Binod Bhagat and his wife, Mrs. Anita Bhagat. The promoters have three decades of experience in the steel trading business. Acuite believes that SVPL will continue to benefit from its experienced management and long-standing relationships with its principal and customers.

- **Moderate financial risk profile**

The financial risk profile of SVPL is moderate marked by average net worth, moderate debt protection measures and low gearing. The net worth of SVPL is average at Rs.14.99 crore as on 31 March, 2018 as against Rs.11.53 crore as on 31 March, 2017. SVPL has followed a conservative financial policy as reflected by peak gearing of 1.57 times over the last three years through 2016-18. The gearing of SVPL has further improved to 1.41 times as on March 31, 2018. Total debt of Rs.21.14 crore includes term loan from bank of Rs.0.52 crore, unsecured loans from promoters of Rs.5.99 crore and working capital limit from bank of Rs.14.62 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood healthy at 2.43 times as on 31 March, 2018 as against 2.20 times as on 31 March, 2017. Interest Coverage Ratio (ICR) has improved to 3.22 times in FY2018 from 2.43 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on 31 March, 2018 as against 0.10 times as on 31 March, 2017.

- **Moderate working capital management**

The working capital management of SVPL is moderate marked by Gross Current Asset (GCA) of 69 days in FY2018 as against 68 days in FY2017. This is majorly on account of receivables period of 34 days in FY2018 as against 23 days in FY2017. The inventory holding period stood at 17 days in FY2018 as against 25 days in FY2017. The payables period has remained at 18 days in FY2018 and 10 days in FY2017. Further, the average bank limit utilisation stood at ~65 per cent for the last three months ended October 2018.

Weaknesses

- **Volatility in commodity prices**

The margins of SVPL 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.

• Highly fragmented industry and intense competition

SVPL operates in a highly competitive industry thereby putting pressure on its capacity utilisation and pricing power. However, after the introduction of GST a lot of players in the unorganised sector have been rolled out of business, leading to lower competition.

Outlook: Stable

Acuite believes that SVPL will maintain a 'Stable' business risk profile in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case SVPL registers 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 SVPL registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	246.54	183.25	204.19
EBITDA	Rs. Cr.	7.53	4.42	4.31
PAT	Rs. Cr.	3.46	1.83	1.78
EBITDA Margin	(%)	3.05	2.41	2.11
PAT Margin	(%)	1.40	1.00	0.87
ROCE	(%)	23.27	17.20	18.77
Total Debt/Tangible Net Worth	Times	1.41	1.57	1.54
PBDIT/Interest	Times	3.22	2.43	2.65
Total Debt/PBDIT	Times	2.68	3.85	3.40
Gross Current Assets (Days)	Days	69	68	60

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Dec-2017	Cash Credit	Long Term	15.00	ACUITE BB+ / Stable (Upgraded)
15-Sep-2016	Cash Credit	Long Term	10.00	ACUITE BB / Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE BB / Stable (Assigned)

***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	ACUITE BB+ / Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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