

Press Release

Shree Venkatesh Wires steel Private Limited

May 04, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.15.00 Cr. bank facilities of Shree Venkatesh Wires and Steel Private Limited (SVWSPL). The outlook is 'Stable'.

Rationale for rating assigned

The rating assigned is on account of long track record of operations, augmentation in the business risk profile along with sustained growth in the scale of operations, moderate net worth, working capital efficient nature of operations and adequate liquidity position. The rating also factors in long extensive experience of promoters in the steel trading business and vintage of relationship with its sole supplier, i.e. Jindal Stainless Limited (JSL) of over two decades. However, the rating is constrained by thin profitability margins owing to inherent nature of trading industry along with susceptibility of margins to raw material price volatility and intense competition.

About the Company

Shree Venkatesh Wires and Steel Private Limited (SVWSPL) is a Mumbai-based company incorporated in 1979 by Mr. Binod Bhagat and Mrs. Anita Bhagat. The company is engaged in trading of stainless steel products (sheets, plate and coils). The company has been a stockiest and distributor for Jindal Stainless Limited (JSL) for the past two decades. SVWSPL operates out of its registered office in Mumbai and warehouse near Panvel, Maharashtra.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SVWSPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

Mumbai based SVWSPL was incorporated in 1979 by Mr. Binod Bhagat along with his family who have an experience of more than three decades in the aforementioned industry. With extensive experience, active participation and their in-depth understanding of the industry

has helped the company in developing long-term relationships with its customers and supplier JSL.

The Extensive experience of promoters is also reflected through its stable operating income of Rs.233.03 Cr in FY2021 as against Rs.241.47 Cr in FY2020 and Rs. 233.34 Cr in FY2019. Further, the company has already achieved a turnover of Rs ~ 396 crore till March 2022. However, the profitability of the company showed marginal improvement in FY21 reflected by an increase in operating profit margin to 4.61 percent in FY21 from 4.22 percent in FY20.

Acuité believes that the company will continue to benefit from its extensive experience of the promoters and healthy relationship with its sole supplier i.e. JSL over the medium term.

Working capital management

The working capital management of the company is efficient and marked by moderate Gross Current asset days of 98 days in FY21 as against 76 days in FY20. This is majorly on account of an increase in receivables period to 43 days in FY21 as against 33 days in FY20. The credit period allowed to debtors generally ranges from 7 to 45 days. The inventory holding period has also increased to 34 days in FY21 as against 18 days in FY20. Subsequently, the payable period stood at 15 days in FY21 as against 4 days in FY20. Jindal Steels generally allows a credit of 7-8 days. Further, the average bank limit utilization stood at around 86 percent for the last 13 months ended February 2022.

Acuité believes that the ability of the company to maintained efficient working capital management will remain a key rating sensitivity.

Financial risk profile

The company has a moderate financial risk profile mainly marked by healthy net worth, moderate gearing and debt protection matrices. The tangible net worth of the company increased to Rs.33.80 crore as on 31 March 2021 as against Rs.26.82 crore same period last year on account of accretion of profit to reserves. The increase in net worth followed by slight reduction in debt levels of the company resulted improvement in gearing levels to 0.67 times as on 31 March 2021 as against 0.80 times as on 31 March 2020. The total debt as on 31 March 2021 consist of working capital limits from banks of Rs.10.81 crore and unsecured loan from promoters of Rs.11.92 crore. Interest Coverage Ratio (ICR) stood at 5.17 times in FY21 as against 3.70 times in FY20. The debt to EBITDA stood at 1.90 times in FY21 as against 1.97 times in FY20.

Acuité believes that the financial risk profile is expected to remain moderate in the absence of any major debt funded capex in near to medium term.

Weaknesses

Vulnerability of profitability owing to volatility in steel prices

The profitability margins of the company are susceptible to volatility in steel prices. Significant changes in steel prices due to import pressures and over supply impact the margins of the company. The steel prices are expected to be impacted in short run on account of lifting of anti-duty from China, this is likely to impact the profitability of smaller players in the market.

Acuité believes that profitability of the company will remain susceptible to volatility in steel prices in the near to medium term.

Susceptibility to cyclical nature of industry and competitive nature of industry with Supplier Concentration

The steel consumption is majorly dependent on the economic activities taking place in and around the country. The end user industry being infrastructure and real state, any significant slowdown in these industries will impact the revenues of steel players. Further, the company competes with various players in the organized and unorganized segments in the steel trading industry and also faces the supplier concentration risk as its procurements are 100% from JSL , thus limiting the pricing power.

Rating Sensitivities

- Improvement in revenues while maintaining profitability margins.
- Stretch in working capital cycle leading to increase in dependence of bank borrowing and deterioration in liquidity position.

Material covenants

None.

Liquidity Position: Adequate

The net cash accruals of the company stood at Rs.7.19 crore against no repayment obligation in FY21. The company maintains unencumbered cash and bank balance of Rs.0.03 crore as on 31 March, 2021 and the current ratio stood healthy at 2.87 times as on 31 March 2021 as against 2.41 times as on 31 March 2020. The average bank limit utilization stood at around 86 per cent for the last 13 months ended February 2022.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' business risk profile in the medium term on account of its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues and profitability while maintaining working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability, or in case of elongated working capital cycle

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	233.03	241.47
PAT	Rs. Cr.	6.98	5.73
PAT Margin	(%)	3.00	2.37
Total Debt/Tangible Net Worth	Times	0.67	0.80
PBDIT/Interest	Times	5.17	3.70

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

Not Applicable.

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Feb 2021	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
05 Dec 2019	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
14 Dec 2018	Cash Credit	Long Term	15.00	ACUITE BB+ Stable (Reaffirmed)
12 Dec 2017	Cash Credit	Long Term	15.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuited.in Parth Raval Management Trainee-Rating Operations Tel: 022-49294065 parth.raval@acuited.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuited.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuited.in) for the latest information on any instrument rated by Acuité.