



Press Release
SHREE VENKTESH WIRES STEEL PRIVATE LIMITED
July 20, 2023
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	-	-

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 Venktesh Wires and Steel Private Limited (SVWSPL). The outlook is '**Stable**'.

Reason for rating reaffirmation

The rating reaffirmation factors the improvement in operating income, moderate financial risk profile, and working capital efficient operations of the company. The Company's revenue improved and stood at Rs.427.08 crore in FY2023 (Prov) as against the revenue of Rs.395.55 crore in FY2022. The increase in the revenues is driven by the increase in the volume of products sold, as well as increase in the price realization. The ratings are constrained by the vulnerability of profitability margins owing to volatility in steel prices and susceptibility to cyclicity nature of industry and competitive nature of industry with Supplier Concentration.

About the Company

Shree Venktesh 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. The extensive experience and their in-depth understanding of the industry has helped the company in developing long-term relationships with its customers and sole supplier Jindal

Stainless Limited. 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 efficient operations

The company's operations are working capital efficient as evident from the GCA days of 83 as on March 31, 2023 (Prov) as against GCA days of 66 as on March 31, 2022. The inventory days stood at 25 days for FY23 as against 25 days for FY22. The average inventory holding period is around 30 days. The debtors' days stood at 34 days for FY23 as against 30 days for FY22. The average credit period allowed to the customers is around 30-35 days. The creditors days stood at 21 days for FY23 against 4 days for FY22. The average credit period received from JSL is around 7 days. The average utilization of the CC limits are around 95 percent for six months ending March '2023. Acuité believes that the ability of the company to maintained efficient working capital management will remain a key rating sensitivity.

Moderate financial risk profile

The company has a moderate financial risk profile marked by moderate net worth, low gearing and healthy debt protection metrics. The tangible net worth of the company stood at Rs.51.57 crore as on March 31, 2023(Prov), as against Rs.43.33 crore as on March 31, 2022. The increase in the net worth is due to accretion of profits to reserves. The gearing of the company improved and stood at 0.43 times as on March 31, 2023(Prov), as against 0.51 times as on March 31, 2022. The total debt of the company consists of short-term debt of Rs.21.96 crore as on March 31, 2023(Prov). The company does not have any long-term loans as on March 31, 2023. The interest coverage ratio stood at 10.94 times as on March 31, 2023(Prov), as against 6.13 times as on March 31, 2022. The DSCR stood at 8.41 times as on March 31, 2023(Prov), as against 4.86 times as on March 31, 2022. Acuité believes that the financial risk profile is likely to remain moderate in medium term on account of no major debt funded capex plan of the company.

Weaknesses

Deterioration in the profitability margins

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 operating margins have declined and stood at 2.56 percent in FY2023 as against 3.42 percent in FY2022. The margins declined due to increase in the raw material costs as well as increase in the employee costs in FY23. 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.

Any 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 company has an adequate liquidity position marked by adequate net cash accruals against the maturing debt obligations. The company generated cash accruals of Rs.8.31 crore in FY23 as against nil maturing debt obligations over the same period. The company is estimated to generate cash accruals of Rs.8.33-8.98 crore over the period 2024-2025 against nil maturing debt obligations over the same period. The company maintains unencumbered cash and bank balance of Rs.0.11 crore as on March 31, 2023. The current ratio is healthy at 2.08 times as on March 31, 2023.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	427.08	395.55
PAT	Rs. Cr.	8.24	9.52
PAT Margin	(%)	1.93	2.41
Total Debt/Tangible Net Worth	Times	0.43	0.51
PBDIT/Interest	Times	10.94	6.13

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 May 2022	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
19 Feb 2021	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)

Annexure - Details of instruments rated

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

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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.

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