



Press Release
Shree Venktesh Wires steel Private Limited
January 03, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple Bo**)n the Rs. 20.00 Cr. bank facilities of Shree Venktesh Wires Steel Private Limited (SVWSPL). The outlook is '**Stable**'.

Rational for rating reaffirmation

The rating reaffirmation is on account of adequate liquidity position, efficient working capital operations and moderate financial risk profile of the company albeit decline in its operating performance. However, the rating is constrained by the vulnerability of profitability margins to steel price volatility, the cyclical nature of the industry, and intense competition with supplier concentration.

About the Company

Shree Venktesh Wires 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.

Unsupported Rating

Not Applicable

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. Acuite 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.

Efficient working capital operations

The company's working capital operations are efficient marked by GCA days of 71 days as on March 31, 2024 as compared to 65 days as on March 31, 2023. The inventory days stood at 19 days in FY24 as against 27 days for FY23. The creditors days were Nil in FY24 and FY23. SVWSPL procures around 97 per cent of its total inventory from JSL. The average credit period received from the supplier is around 0- 7 days. The company relies on cash

credit and Interest bearing unsecured loans from directors for their working capital requirements. The average utilization of the cash credit limits are around 78.45 percent for six months ending September 2024. Acuité believes that the ability of the company to maintain its efficient working capital operations 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 net worth of the company stood at Rs. 57.70 crore as on March 31, 2024, as against Rs. 51.73 crore as on March 31, 2023. The increase in the net worth is due to accretion of profits to reserves. The gearing of the company improved and stood at 0.38 times as on March 31, 2024, as against 0.44 times as on March 31, 2023. The total debt of the company consists of Unsecured loans from promoters of Rs. 4.22 crore and short-term debt of Rs. 17.89 crore as on March 31, 2024. The interest coverage ratio stood at 5.26 times as on March 31, 2024, as against 6.14 times as on March 31, 2023. Acuité believes that the financial risk profile is likely to remain moderate in medium term on account of absence of long term debt and steady net cash accruals.

Weaknesses

Stagnant Revenues while decline in profitability margins

The company's revenue marginally declined to Rs. 411.41 crore in FY2024, compared to Rs. 422.77 crore in FY2023. This revenue decline is due to lower price realization albeit the increase in the sales volume for FY24. Operating margins declined to 1.62 percent in FY2024, down from 2.86 percent in FY2023. The decline in the margins is directly attributable to lower demand in the market as compared against the increasing supply of the steel products. Additionally, the company incurred higher employee costs during the year. The PAT margin also marginally declined to 1.45 percent in FY2024, compared to 1.99 percent in FY2023. In Q1FY2025, the company reported total revenue of Rs. 87.06 crore. 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. The company has an MoU with JSL, stipulating that SVWSPL must source over 97 percent of its total requirement from them, with the remaining 2 to 3 percent procured from other suppliers. Thus, faces supplier concentration risk limiting the pricing power.

Rating Sensitivities

- Improvement in revenue along with better-than-expected improvement in the profitability margins.
- Deterioration in the financial risk profile.
- Any elongation in working capital cycle leading to increase in dependence on working capital limits.
- Lower than expected net cash accruals or stretched liquidity position.

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. 6.06 crore in FY24 as against no maturing debt obligations over the same period. The company is estimated to generate cash accruals in the range of Rs. 5.72 to 5.87 crore over the period of 2025-2026 against no maturing debt obligations over the same period. The company maintains unencumbered cash and bank balance of Rs. 0.21 crore as on March 31, 2024. The current ratio is healthy at 4.16 times as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	411.41	422.77
PAT	Rs. Cr.	5.98	8.40
PAT Margin	(%)	1.45	1.99
Total Debt/Tangible Net Worth	Times	0.38	0.44
PBDIT/Interest	Times	5.26	6.14

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
06 Oct 2023	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Assigned)
20 Jul 2023	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
04 May 2022	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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