

Vriksh Transworld Holdings Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.90	SMERA C (Assigned)
Overdraft Against Tangible Collateral Securities	14.40	SMERA C (Assigned)
Letter of Credit	8.00*	SMERA A4 (Assigned)

*Includes Buyer's Credit to the extent of Rs.6.00 crore

SMERA has assigned ratings of '**SMERA C** (read as SMERA C) and '**SMERA A4**' (read as SMERA A four) to the Rs.27.30 crore bank facilities of Vriksh Transworld Holdings Limited (VTHL).

The ratings are constrained by the company's weak financial risk profile and stretched liquidity position. The ratings also factor in the vulnerability of profitability to volatility in raw material prices and forex fluctuation risk amidst intense competition in steel trading. However, the ratings derive comfort from the experienced management and established track record of operations.

VTHL, a Chennai-based company incorporated in 1995 by Mr. Manu Goel and family is engaged in the trading of TMT bars, steel scrap and steel products. The company has a weak financial risk profile marked by negative tangible net worth of Rs.5.54 crore and accumulated losses of Rs.10.38 crore for FY2014-15 (refers to financial year, April 01 to March 31). Further, VTHL has reported negative tangible networth of Rs.6.45 crore and accumulated losses of Rs.11.25 crore for FY2015-16 (provisional). The company's liquidity position is stretched evident from the average cash credit limit utilisation that stands at ~96 per cent for the last six months ended May, 2016 and gross current asset days of 286 for FY2015-16 (provisional).

The ratings are also constrained by the susceptibility of profit margins to volatility in steel prices amidst intense competition in the steel trading business. Further, VTHL mainly imports steel scrap from USA and Europe exposing the company to volatility in forex fluctuation risk.

However, the company benefits from the extensive experience of its promoter, Mr. Manu Goel in the steel industry. Further, the ratings also factor in the established relations of the company with customers and suppliers for the last two decades.

Rating Sensitivity Factors

- Scaling up operations while improving profit margins
- Improvement in the capital structure
- Effective working capital management

Criteria applied to arrive at the ratings

- Trading Entities

About the Company

VTHL, incorporated in 1995 is a Chennai-based company promoted by Mr. Manu Goel and family. The company is engaged in the trading of TMT bars, steel scraps and steel products. VTHL sources TMT bars from domestic manufacturers while steel scrap is imported mainly from traders based in USA and Europe.

For FY2014–15, VTHL registered net loss of Rs.2.80 crore on operating income of Rs.16.66 crore, as compared with net loss of Rs.7.58 crore on operating income of Rs.67.93 crore in FY2013–14. Further, VTHL has registered net loss of Rs. 0.86 crore on operating income of Rs.33.47 crore for FY2015-16 (provisional).

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA 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. SMERA ratings 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA ratings 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.smera.in) for the latest information on any instrument rated by SMERA.