

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).

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ABOUT SMERA

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