

Press Release



Shree NV Ispat Udyog

24 April, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	SMERA B/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 30.00 crore bank facilities of Shree NV Ispat Udyog (SNVIU). The outlook is '**Stable**'.

Established in 2000, Shree NV Ispat is a Kolkata based proprietorship firm promoted by Mr. Sanjay Poddar. The firm is engaged in trading of primary steel products i.e sponge iron and pig iron where it acts as an intermediary between the pig/ sponge iron manufacturers and their consumers.

Key Rating Drivers

Strengths

Experienced management

Proprietor- Mr. Sanjay Poddar has over 17 years of experience in the steel trading business.

Healthy relationship with customers and suppliers

Presence of over 17 years in the iron and steel industry has enabled the proprietor to establish healthy relationship with customers and suppliers. The firm is currently dealing with ~ 50 customers in and across West Bengal. Similarly the firm has ~ 40-50 suppliers with whom it is currently dealing. Some of major customers are Ranisati Industries Limited, Ranisati Metal Industries, SG Strips Limited, Shree Laxmi Industrial Corporation and TIF Castings Limited while some of major suppliers are Comcast Bengal Engineering Limited, Comcast Exmin Limited, Comcast Ispat Limited, Comcast Steel & Power Limited.

Weaknesses

Low profitability

The profitability of the firm is low with operating margins of 0.06 per cent in FY 17 as compare to 0.19 per cent in FY 16. The net profit margins stood at 0.04 per cent in FY 17 as compare to 0.05 per cent in FY 16. The low profitability is on account of trading nature of operations.

Working Capital Intensive Operations

The operations are working capital intensive in nature marked by GCA days of 462 in FY 2017 as against 765 days in FY 2016. The high GCA days on account of stretched debtor days of 332 days in FY 17 as compare to 716 days in FY 16. The firm does not hold any inventory in general as the firm only acts as an intermediary between manufacturer and consumer.

Weak Financial Risk Profile

The weak financial risk profile of the firm is marked by high gearing of 2.33 times in FY2017 as against 2.00 times in FY2016. The high gearing is attributed to low net worth of Rs.0.64 cr as against total debt of Rs.1.50 cr as on 31 March, 2017. The company reported comfortable debt protection metrics evident from the interest coverage ratio of 3.85 times in FY2017 as compare to 1.36 times in FY2016. The NCA/TD stood low at 0.01 times in FY 2017 as compare to 0.11 times in FY 2016.

Outlook: Stable

SMERA believes that firm will continue to benefit over the medium term from the proprietorship extensive experience in the same line of business. The outlook may be revised to 'Positive' if the firm achieves more than envisaged sales and profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability and the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	357.13	158.68	160.54
EBITDA	Rs. Cr.	0.22	0.30	0.41
PAT	Rs. Cr.	0.16	0.07	0.07
EBITDA Margin	(%)	0.06	0.19	0.26
PAT Margin	(%)	0.04	0.05	0.04
ROCE	(%)	9.28	11.06	27.76
Total Debt/Tangible Net Worth	Times	2.33	2.00	2.83
PBDIT/Interest	Times	3.85	1.36	1.24
Total Debt/PBDIT	Times	6.81	5.37	5.21
Gross Current Assets (Days)	Days	462	745	704

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

None

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profile of SNVI.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Proposed Loan Against Property	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA B/Stable (Assigned)

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