

Rating Rationale

Brickwork Ratings Reaffirms ‘BWR BB-’ & ‘BWR A4’ for the Bank Loan Facilities aggregating ₹ 7.75 Cr (reduced from ₹ 12.50 Cr) of Sri Vijayalakshmi Steel House

Brickwork Ratings (BWR) has reaffirmed the following **Ratings¹** for the Bank Loan Facilities of Sri Vijayalakshmi Steel House (“SVSH” or “the Firm”):

Facility	Previous Limits (₹ Cr)	Existing Limits (₹ Cr)	Tenure	Rating History	Ratings
Fund Based: Cash Credit Term Loan	8.50 0.00	5.50 0.25	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable Reaffirmed
Non-Fund Based: ILC BULC	3.00 1.00	2.00 0.00	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four) Reaffirmed
Total	12.50	7.75	INR Seven Crores and Seventy Five Lakhs only		

BWR has essentially relied upon the audited financials upto FY 15, projected financials upto FY17, publicly available information and the information/clarifications provided by the Firm.

The reaffirmation of rating considers the extensive industry experience of the promoters and established operational track record of two decades. The rating, however, is constrained by the below average financial risk profile of the firm marked by the operating losses, weak debt protection metrics, exposure to volatility in raw material prices and competition in an intensely competitive and fragmented industry.

Background:

Sri Vijayalakshmi Steel House was established in 1997 as a partnership firm in Bantwal Taluk, Karnataka. SVSH is engaged in trading of Steel & Cement and is an authorized dealer of Ambuja Cement and TMT bars of Apex, VKRCM, Bhuwalka and other brands. The Firm is the sole dealer of SAIL steel for Bantwala Taluk of Dakshina Kannada District, Karnataka. SVSH has another sister concern, Vijayalakshmi Cement Corporation, a proprietorship firm, which is a dealer of ACC Cement. The Firm has 6400 Sq. ft of outlet on Jodumarga Road, Bantwala on NH 234 (which connects Mangalore to Andhra Pradesh and Tamil Nadu).

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management:

SVSH is a family owned business. Mr. Venkatesh S Prabhu, Mrs. Shoba S. Prabhu and Mr. Raghavendra S Prabhu are partners of the firm.

Financial Performance:

SVSH reported Net Sales of Rs. 38.71 Crores and Operating loss of Rs. 1.55 Crores in FY15 as against Net Sales of Rs. 29.56 Crores and Operating profit of Rs 0.85 Crores in FY14. However, in view of non operating income of Rs. 2.92 Crs in FY15, PAT was Rs. 0.17 Crs. Partner's capital stood at Rs. 3.11 Crores as at March 31 2015 . On a provisional basis, SVSH reported net sales of around Rs. 22 crores for 9MFY16.

Rating Outlook:

The rating outlook is expected to remain stable over the current year. Going forward, SVSH's ability to increase its scale of operations profitably, strengthen its overall financial risk profile and enhance receivables collection efficiency will be the key rating sensitivities.

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