

March 30, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	3.00	SMERA B/Stable (Suspension Revoked/Rating Assigned)
Term Loan	2.50	SMERA B/Stable (Suspension Revoked/Rating Assigned)

SMERA has assigned rating of '**SMERA B**' (**read as SMERA B**) on the Rs.5.50 crore long terms (fund based) bank facilities of Forge Masters - Unit Radiant Industries (Forge). The outlook is '**Stable**'. The ratings are constrained by the firm's small scale of operations and weak financial profile marked by high gearing, low net worth and losses. Further, the ratings are also constrained by the low PAT margins and the highly competitive and fragmented forging industry. However, the aforementioned weaknesses are partially offset by the experienced management.

Outlook - Stable

SMERA believes that the firm will maintain a stable business risk profile owing to the management's extensive experience in the forging business and its established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the revenues and accruals register a decline or if the working capital cycle gets elongated.

Rating Sensitivity Factors

- Scaling up of operations while managing working capital funds
- Improvement in the financial risk profile

About the Firm

The Punjab-based, Forge, established in 2013 was promoted by Mr. Hardeep Singh. The firm is engaged in the manufacturing and trading of bright bars.

For FY2014-15, the firm reported losses of Rs.0.47 crore on operating income of Rs.16.07 crore, as compared with profit after tax (PAT) of Rs.0.03 crore on operating income of Rs.2.49 crore in FY2014. The net worth stood at Rs.1.90 crore as on March 31, 2015 against Rs.2.04 crore a year earlier.

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