

December 24, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	8.00*	SMERA B+/Stable (Assigned)
Proposed Fund Based	4.00	SMERA B+/Stable (Assigned)

**Includes Letter of Credit as a sublimit to the extent of Rs.1.00 crore*

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA single B plus**) to the abovementioned bank facilities of Sion Steels (SS). The outlook is '**Stable**'. The rating is constrained by the firm's small-scale operations and working capital-intensive business in an intensely competitive segment of the steel industry. The rating is also constrained by the firm's low profitability. However, the rating is supported by the firm's established track record of operations and experienced management. The rating also draws comfort from the firm's low gearing (debt-to-capital ratio) and moderate coverage indicators.

SS, established in 1992, is a Mumbai-based partnership firm engaged in trading of iron and steel products. SS has small-scale operations marked by total income of Rs.47.39 crore in FY2013-14 (refers to financial year, April 01 to March, 31). The firm's operations are working capital-intensive, as evidenced by gross current assets (GCA) of 206 days in FY2013-14. SS operates in an intensely competitive segment of the iron and steel industry. The firm's net profit margin is low at 0.48 per cent in FY2013-14.

SS benefits from its experienced management. Mr. Nooral Haque Shaikh, partner of SS, has around two decades of experience in the iron and steel industry. SS's gearing (debt-to-capital ratio) is low at 0.78 times as of March 31, 2014. The firm's interest coverage ratio is moderate at 1.37 times in FY2013-14.

Outlook: Stable

SMERA believes SS will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in scale of operations while achieving healthy profitability and comfortable liquidity position. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile.

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About the firm

SS, established in 1992, is a Mumbai-based partnership firm owned by Mr. Noorul Haque Shaikh, Mr. Ainul Haque Shaikh, Mr. Shamshul Haque Shaikh, Mrs. Khushnainnissa Shaikh and Mrs. Khatoon Afsana Shaikh. SS undertakes trading of iron and steel products.

For FY2013–14, SS reported profit before tax of Rs.0.23 crore on total income of Rs.47.39 crore, as compared with profit before tax of Rs.0.20 crore on total income of Rs.41.32 crore in FY2012–13. The firm's capital stood at Rs.11.26 crore as on March 31, 2014, as compared with Rs.5.02 crore a year earlier.

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