

February 09, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	10.00	SMERA BB-/Stable (Assigned)
Letter of Credit	23.50	SMERA A4+ (Assigned)
Cash Credit (proposed)	3.00	SMERA BB-/Stable (Assigned)
Letter of Credit (proposed)	6.50	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as SMERA double B minus) and a short-term rating of '**SMERA A4+**' (read as SMERA A four plus) to the Rs.43.00 crore bank facilities of Swissline Intertrade Private Limited (SIPL). The outlook is '**Stable**'. The ratings are supported by the company's large-scale operations, moderate financial risk profile, diversified product profile and experienced management. However, the ratings are constrained by the company's exposure to customer concentration risk in an intensely competitive segment of the steel industry. The ratings note that the company is exposed to the inherent cyclical nature in the steel industry. The ratings also note that the company's profit margins are susceptible to volatility in raw material prices.

SIPL, incorporated in 2006, is a Delhi-based company engaged in trading of hot rolled (HR) steel flats and stainless steel sheets. SIPL has large-scale operations marked by operating income of Rs.360.25 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company's operating income has increased at a compound annual growth rate (CAGR) of ~14.50 per cent over the past five years. SIPL's moderate financial risk profile is marked by leverage (debt-equity ratio) of 0.89 times as on March 31, 2014 and interest coverage ratio of 1.50 times in FY2013-14.

SIPL's diversified product portfolio includes steel flats, stainless steel sheets and steel strips used in various industries such as automobile, power, and oil and gas. The company plans to start trading of copper, manganese and other non-ferrous metals. SIPL benefits from its experienced management. Mr. Bimal Jain and Mr. Ramesh Jain, directors of SIPL, have around three decades of experience in the steel industry.

SIPL is exposed to customer concentration risk. The company generates ~50 per cent of its revenues from sales to two customers. SIPL faces intense competition from several players in the steel industry. The company's operations are exposed to the inherent cyclical nature in the steel industry. SIPL's profit margins are highly susceptible to volatility in steel prices.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

Outlook: Stable

SMERA believes SIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving substantial improvement in profitability. The outlook may be revised to 'Negative' in case of decline in the company's revenues and profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the company

SIPL, incorporated in 2006, is a Delhi-based company promoted by Mr. Bimal Jain and Mr. Ramesh Jain. SIPL undertakes trading of steel flats and stainless steel sheets. The company also undertakes hot rolling of steel on job work basis.

For FY2013-14, SIPL reported profit after tax (PAT) of Rs.1.13 crore on operating income of Rs.360.25 crore, as compared with PAT of Rs.1.10 crore on operating income of Rs.332.68 crore in FY2012-13. The company's net worth stood at Rs.24.01 crore as on March 31, 2014, as compared with Rs.22.89 crore a year earlier.

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