

February 18, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan - I	1.59	SMERA B/Stable (Assigned)
Overdraft - II	1.22	SMERA B/Stable (Assigned)
Cash Credit	12.00	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as SMERA single B) to the Rs.14.81 crore bank facilities of A One Steels India Private Limited (AOSIPL). The outlook is '**Stable**'. The rating is constrained by the company's stretched liquidity position. The rating is also constrained by the decline in the company's profit margins amidst intense competition in the steel industry. The rating factors in risks related to the inherent cyclical nature in the company's end-user industries (infrastructure and real estate). The rating also notes that the company's profit margins are susceptible to volatility in raw material prices. However, the rating draws comfort from the company's experienced management.

AOSIPL, incorporated in 2008, is a Karnataka-based company engaged in manufacturing of mild steel (MS) billets, channels and angles. AOSIPL's stretched liquidity position is reflected in high utilisation (~99.60 per cent) of working capital limit during September 2014 to January 2015. The company's operating profit margin declined to ~4.53 per cent in FY2013-14 from ~8.23 per cent in FY2011-12 on account of increase in raw material cost and power and fuel expenses. AOSIPL operates in an intensely competitive segment of the steel industry. The company is susceptible to the inherent cyclical nature in its end-user industries viz. infrastructure and real estate.

AOSIPL benefits from its experienced management. Mr. Sunil Kumar Jallan and Mr. Sandeep Kumar Jallan, directors of AOSIPL, have around ten years of experience in the steel industry.

Outlook: Stable

SMERA believes the outlook on AOSIPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues and profit margins while achieving improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues, or in case of deterioration in the company's working capital management or profitability.

About the company

AOSIPL, incorporated in 2008, is a Karnataka-based company promoted by Mr. Sunil Kumar Jallan and Mr. Sandeep Kumar Jallan. AOSIPL manufactures mild steel billets, channels and angles.

For FY2013-14, AOSIPL reported profit after tax (PAT) of Rs.0.47 crore on operating income of Rs.116.40 crore, as compared with profit after tax (PAT) of Rs.0.53 crore on operating income of Rs.79.24 crore in the previous year. AOSIPL's net worth stood at Rs.12.48 crore as on March 31, 2014, as compared with Rs.12.17 crore a year earlier.

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