

March 30, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	7.00	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (**read as SMERA single B plus**) to the Rs.7.00 crore long-term (fund based) bank facility of Barnala Steel Industries (BSI). The outlook is '**Stable**'. The rating is mainly constrained by the firm's weak financial risk profile and low net profit margin. The rating is also constrained by the firm's exposure to intense competition in the iron and steel industry. However, the rating is supported by the firm's experienced management and moderate liquidity position.

BSI, established in 1980, is a Ludhiana-based partnership firm engaged in trading of iron and steel products. BSI's weak financial risk profile is marked by low net worth of Rs.2.88 crore and moderate leverage (debt-equity ratio) of 1.12 times as on March 31, 2014. The firm's total debt of Rs.4.48 crore (as on March 31, 2014) includes subordinated unsecured loans of Rs.1.24 crore from related parties. SMERA has treated such unsecured loans as quasi-equity. BSI's interest coverage ratio is low at 1.21 times in FY2013-14 (refers to financial year, April 01 to March 31). The firm reported low net profit margin of 0.30 per cent in FY2013-14. BSI faces intense competition from several players in the iron and steel industry.

BSI benefits from its experienced management. Mr. Pawan Kumar Jain, partner of BSI, has around 30 years of experience in the firm's line of business. The firm's moderate liquidity position is reflected in current ratio of 1.53 times (as on March 31, 2014) and cash credit utilisation of 76 per cent during August 2014 to January 2015.

Outlook: Stable

SMERA believes BSI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while achieving significant improvement in profitability and financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile.

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.

About the firm

BSI, established in 1980, is a Ludhiana-based partnership firm promoted by Mr. Pawan Kumar Jain. BSI is engaged in trading of iron and steel products.

For FY2013-14, BSI reported profit after tax (PAT) of Rs.0.12 crore on operating income of Rs.139.93 crore, as compared with PAT of Rs.0.09 crore on operating income of Rs.32.36 crore in FY2012-13. The firm registered revenue of Rs.29.45 crore (provisional) during April 2014 to December 2014. BSI's net worth stood at Rs.2.88 crore as on March 31, 2014, as compared with Rs.2.74 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in	Parimal Thakker Manager – Operations Tel: +91-011-41806663 Email: parimal.thakker@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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.