

**February 24, 2016**

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

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.7.00 crore bank facility of Barnala Steel Industries (BSI). The outlook is '**Stable**'. The rating continues to be constrained by the firm's moderate scale of operations, weak financials marked by low profitability margin and net worth. Further, the rating also factors in the intense competition in the fragmented steel industry. However, the rating draws support from the experienced management.

### Update

BSI's weak financial risk profile is marked by moderate scale of operation marked by revenue of Rs. 39.95 crore and moderate gearing (debt-to-equity) of 1.51 times as on March 31, 2015. Moreover, the firm's interest coverage ratio is low at 1.25 times in FY2014-15. The PAT margin is declined to 0.29 % in FY2014-15 from 0.30 % in FY2013-14. BSI operates in an intensely competitive segment of the steel processing industry. The total debt of Rs.6.20 crore includes unsecured loans of Rs.1.33 crore which are subordinated to bank debt as on March 31, 2015.

### Outlook: Stable

SMERA believes BSI will maintain its moderate business risk profile in the medium term owing to its established operations and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement in revenue and profitability. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates significantly.

### Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Improving net worth and working capital requirement

### About the Firm

The Punjab based BSI was incorporated in 1980 as a partnership firm by Mr. Sanjay Jain and Mr. Ashwani Kumar Jain. The firm is engaged in the trading of iron and steel products such as cold roll (CR) and hot roll (HR) sheets, CR cutting, circle among others.

For FY2014-15, the company reported profit after tax (PAT) of Rs.0.12 crore on operating income of Rs.39.95 crore, as compared with profit after tax (PAT) of Rs.0.12 crore on operating income of Rs.39.93 crore in FY2013-14. The net worth stood at Rs.3.23 crore as on March 31, 2015 against Rs.2.88 crore a year earlier. The total debt of Rs.6.20 crore includes unsecured loans of Rs.1.33 crore that are subordinated to bank debt as on March 31, 2015.

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SMERA RATINGS LIMITED

## Barnala Steel Industries (BSI)

## Rating Rationale

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