

May 21, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit (proposed)	6.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B** (read as SMERA single B)' to the Rs.6.00 crore bank facility of Aurangabad Steel Corporation (ASC). The outlook is '**Stable**'. The rating draws comfort from the firm's experienced management. However, the rating is constrained by the firm's short operational track record, small-scale operations, low profit margins and weak financial risk profile. The rating notes that the firm's profit margins are susceptible to raw material price volatility and intense competitive pressure. The rating also factors in risks related to the firm's partnership constitution.

ASC, established in 2012, is an Aurangabad-based partnership firm engaged in trading of steel scrap. ASC benefits from its experienced management. The partners of the firm have around 10 years of experience in the steel scrap business.

ASC has small-scale operations with revenue of Rs.9.27 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm's weak financial risk profile is reflected in low capital of Rs.0.27 crore as on March 31, 2014. ASC's net profit margin is low at 0.22 per cent in FY2013-14. The firm's profit margins are highly susceptible to volatility in prices of steel scrap. ASC operates in an intensely competitive segment of the steel industry. The firm's financial profile is susceptible to withdrawal of capital by partners.

Outlook: Stable

SMERA believes ASC will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected growth in the revenues, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the firm

ASC, established in 2012, is an Aurangabad-based partnership firm promoted by Mr. Iqbal Hasmulla Chaudhary and Mr. Arshad Khan Shbbir Khan. ASC undertakes trading of steel scrap. The firm has a warehouse in Aurangabad, Maharashtra.

For FY2013-14, ASC reported profit after tax (PAT) of Rs.0.02 crore on operating income of Rs.9.27 crore. The firm's net worth stood at Rs.0.27 crore as on March 31, 2014, as compared with Rs.0.09 crore a year earlier.



SMERA RATINGS LIMITED

Aurangabad Steel Corporation (ASC)

*Rating
Rationale*

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 98208 02479 Email: antony.jose@smera.in	Shripad Nande Manager – Corporate Ratings Tel: +91-22-6714 1329 Email: shripad.nande@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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.