

August 06, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit (Under e-DFS)	30.00	SMERA B-/Stable (Assigned)
Cash Credit	15.00	SMERA B-/Stable (Assigned)
Cash Credit (Under e-DFS) (Proposed)	10.00	SMERA B-/Stable (Assigned)

SMERA has assigned a long term rating of '**SMERA B- (read as SMERA B minus)**' to the above mentioned bank facilities of Balu Iron and Steel Company (BISC). The outlook is '**Stable**'. The rating is constrained by the firm's limited operational track record and below-average financial profile marked by high gearing. The rating notes that the firm's profit margins are susceptible to raw material volatility, intense competitive pressure and risks inherent in partnership firms such as withdrawal of capital. However, the rating draws comfort from the experienced management.

Outlook: Stable

SMERA believes that the firm would benefit from the experienced management. The outlook may be revised to 'Positive' if the firm is able to maintain healthy profit margins leading to improvement in capital structure with increase in scale of operations. Conversely, the outlook may be revised to 'Negative' if the firm's net worth deteriorates with decline in profit margins.

Rating Sensitivity Factor

- Greater than expected debt funded working capital expenditure plans
- Efficient working capital management

About the Firm

BISC, established in 2013, is a Coimbatore-based partnership firm promoted by Mr. Kangachalam, Mr. Kartick and others with over two decades of experience in the steel trading business. The firm trades in flat steel products, cement and is a non-exclusive dealer of JSW Steel Limited for Coimbatore and Kerala.

For FY2013-14, the firm reported (profit after tax) PAT of Rs.1.17 crore on total sale of Rs.53.04 crore. Further, as per provisional financials, the firm posted total sale of Rs.176 crore in FY2014-15. The firm's net worth stood at Rs.1.81 crore against a total debt of Rs.30.29 crore as on March 31, 2014.

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.



SMERA RATINGS LIMITED

Balu Iron and Steel Company (BISC)

*Rating
Rationale*

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Cell: +91-98208 02479 Email: antony.jose@smera.in Web: www.smera.in	Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 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.