

August 06, 2015

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

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.

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