

**September 11, 2015**

Facility	Amount (Rs. Crore)	Rating
Working Capital Demand Loan	42.75	SMERA B/Stable (Assigned)

SMERA has assigned a long term rating of '**SMERA B**' (read as **SMERA B**) to the above mentioned bank facility of Annam Steels. The outlook is '**Stable**'. The rating is constrained by the firm's small scale of operations, working capital-intensive business and the intensely competitive steel industry in which the firm operates. However, the rating is supported by the long track record of operations, experienced management and healthy revenue visibility.

Outlook: Stable

SMERA believes AS will continue to benefit over the medium term from its long track record of operations and 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 its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve substantial growth in revenues or if the financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements.

Rating Sensitivity Factors

- Timely completion of the project
- Efficient working capital management

About the Firm

AS, established in 1990, is a Chennai-based partnership firm promoted by Mr. Vijayakumar. The firm is a scrap dealer, and is currently engaged in the process of dismantling of plant and selling of scrap from NGEF Ltd.

For FY2013-14, the firm reported profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.10.47 crore as compared with PAT of Rs.0.16 crore on operating income of Rs.10.11 crore for FY2012-13. For FY2014-15, the firm reported PAT of Rs.0.17 crore (provisional) on operating income of Rs.10.41 crore.

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SMERA RATINGS LIMITED

Annam Steels (AS)

Rating Rationale

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