

October 14, 2015

Facilities	Amount (Rs. Crore)	Rating
Overdraft	26.00 *	SMERA BBB/Stable (Assigned)
Cash Credit (under electronic dealer finance system)	10.00	SMERA BBB/Stable (Assigned)
Bill Discounting	2.50	SMERA BBB/Stable (Assigned)
Term Loan I	1.12	SMERA BBB /Stable (Assigned)
Term Loan II	5.00	SMERA BBB/Stable (Assigned)

* Includes sublimit of Rs.17.00 crore for working capital demand loan.

SMERA has assigned rating of '**SMERA BBB**' (read as **SMERA triple B**) to the Rs.44.62 crore bank facilities of Steel House (SH). The outlook is '**Stable**'. The rating derives comfort from the extensive experience of the promoters, healthy diversity in the revenue profile, above-average financial profile marked by comfortable capital structure and healthy debt protection metrics. However, the rating is constrained by the susceptibility of the firm's revenues and profitability to inherent cyclicity in the steel industry and volatility in steel prices.

Outlook: Stable

SMERA believes that the firm would continue to benefit from its extensive management experience and diverse revenue profile over the medium term. The outlook may be revised to 'Positive' in case the firm achieves higher-than-expected revenue growth and maintains healthy profitability leading to further improvement in its business risk profile. Conversely, the outlook may be revised to 'Negative' if the firm records lower cash accruals or in case of stretch in the working capital cycle leading to deterioration in its liquidity and financial risk profile.

Rating Sensitivity Factors

- Scaling of revenue while maintaining profit margins
- Managing incremental working capital

About the Firm

SH, established in 1984, is a Bangalore-based partnership firm engaged in the trading of steel products. The firm's day to day operations are managed by its Chief Executive Officer, Mr. Vishal Gupta.

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.

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