

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 cyclical 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.

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