

March 10, 2016

| Facilities | Amount (Rs. Crore) | Ratings |
|-------------------|-----------------------|-----------------------------|
| Secured Overdraft | 17.00 | SMERA BB+/Stable (Assigned) |
| Inventory Funding | 15.00 | SMERA BB+/Stable (Assigned) |

SMERA has assigned a long term rating of '**SMERA BB+**' (**read as SMERA double B plus**) to the above mentioned bank facilities of Paul & Company Steel Merchants Private Limited (PCSM). The outlook is '**Stable**'. The ratings are supported by the company's extensive experienced management, long track record of operation and average financial risk profile marked by comfortable coverage indicator and moderate gearing. The ratings also draw support from established relationship with Tata steel and healthy liquidity profile. However, the ratings are constrained by the company's trading nature of operations, with slender margins. The ratings are further constrained by its exposure to intense competition in iron and steel dealership business.

Outlook: Stable

SMERA believes that PCSM will continue to maintain its stable business risk profile on account of established relationship with its principal. The outlook may be revised to 'Positive' if the company is able to achieve higher than expected revenues and accruals, while maintaining its working capital cycle and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle, or lower than expected revenues.

Rating Sensitivity Factors

- Increase in scale of operation and profitability.
- Continued relationship with Tata Steel.

About the Company

Paul & Company Steel Merchants Private Limited (PCSM) established in the year 1985 as a proprietorship concern by Mr. Sunil Krishna Paul. Thereafter it was converted into a closely held company in 2009. It is an authorized sole distributor of TATA Tiscon TMT bar of in Howrah and Hooghly districts of West Bengal.

For FY2014–15, PCSM reported profit after tax (PAT) of Rs.1.06 crore on total operating income of Rs.130.73 crore, as compared with PAT of Rs.1.03 crore on total operating income of Rs.130.79 crore in FY2013–14. The net worth stood at Rs.6.80 crore as on March 31, 2015, as compared with Rs.5.74 crore a year earlier.

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