

**March 19, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	8.00	SMERA BB+/Stable (Assigned)
Letter of Credit	15.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of Calstar Sponge Limited (CSL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, steady revenue growth and reputed clientele. The ratings also draw support from the healthy financial risk profile marked by very low gearing levels due to minimal debt levels, improved coverage indicators, and comfortable net worth. However, the ratings are constrained by the company's moderate scale of operations, volatility in raw material prices and intense competition in the iron and steel industry.

**Outlook: Stable**

SMERA believes that CSL will continue to maintain its 'Stable' business risk profile on account of its experienced management, comfortable financial risk profile and healthy revenue growth. The outlook may be revised to 'Positive' if the company is able to achieve higher than expected revenues and accruals with improvement in profitability and net cash accrual. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial profile or if it undertakes any significant debt funded capex.

**Rating Sensitivity Factors**

- Increase in scale of operations and profitability
- Extent of capex and its funding mix

**About the Company**

CSL was incorporated in 2004 by Mr. Tulsi Ram Agarwal and Mr. Vikas Agarwal to manufacture ingots. The company commenced commercial operations in 2006 with an installed capacity of 40,000 tons per annum to manufacture ingots. Thereafter, the company began manufacturing sponge iron from 2008 with capacity of 60,000 tons per annum. In FY2014, the company shifted from ingots to billets with the same capacities in Burdwan district of West Bengal.

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For FY2014–15, CSL reported profit after tax (PAT) of Rs. (1.38) crore on total operating income of Rs.150.23 crore, as compared with PAT of Rs.0.65crore on total operating income of Rs.108.42 crore in FY2013–14.

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