

**April 07, 2016**

| Facilities        | Amount<br>(Rs. Crore) | Ratings                    |
|-------------------|-----------------------|----------------------------|
| Secured overdraft | 11.00                 | SMERA BB/Stable (Assigned) |

SMERA has assigned a long term rating of '**SMERA BB**' (read as **SMERA double B**) to the above mentioned bank facility of Shree Garodi Steels (SGS). The outlook is '**Stable**'. The rating is supported by the company's extensive experienced management, healthy revenue growth and average financial risk profile marked by comfortable coverage indicator and moderate gearing. The ratings also draw support from comfortable liquidity profile, efficient working capital management and established relationship with Tata Steel Limited, JSW Steel Limited, and Apple Commodities Limited. 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 industry.

**Outlook: Stable**

SMERA believes that SGS will continue to maintain its stable business risk profile on the account of established relationship with 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 profitability. 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**

- Improvement in profitability.
- Continued relationship with its principals.

**About the Company**

Shree Garodi Steels (SGS) was established in the year 2011 as partnership firm by Mr. Manoj Kumar and Siddarth Jain. It is an authorized distributor for APL Apollo and Apple Gold steel for TMT Bar in Mangalore and Dakshina Kannada district of Karnataka since from 2015. It's also engaged in selling as dealer of different steel manufacturing companies like Tata Steel and JSW Steel mainly for TMT Bar and other structural product like pipes, tubes, angles and plates etc.

For FY2014-15, SGS reported profit after tax (PAT) of Rs.0.97 crore on total operating income of Rs.150.63 crore, as compared with PAT of Rs.0.65 crore on total operating income of Rs.88.01 crore in FY2013-14.

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SMERA RATINGS LIMITED

## Shree Garodi Steels (SGS)

*Rating  
Rationale*

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