

**April 19, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	9.00	SMERA B/Stable (Assigned)
Cash Credit	27.00	SMERA B/Stable (Assigned)
Inland/Foreign Letter of Credit (ILC/FLC)	9.00*	SMERA A4 (Assigned)

*Includes sublimit of Bank Guarantee to the extent of 1.00 Crore in ILC/FLC.

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA B**) and '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Sugna Metals Limited (SML). The outlook is '**Stable**'. The ratings are constrained by the weak liquidity position, susceptibility of profit margins to volatility in raw material prices and competitive nature of the iron and steel industry. However, the ratings draw support from the experienced management and healthy scale of operations.

Outlook: Stable

SMERA believes SML will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates.

Rating Sensitivity Factors

- Volatility in commodity prices
- Efficient working capital management
- Sustaining growth while achieving stable margins

About the Company

SML, incorporated in 2006 is a Hyderabad-based company promoted by Mr. Bharat Kumar Sonthalia and family. The company manufactures and trades in TMT Bars, MS Billets and other rolled steel products. The installed capacity stands at 200 MT per day for MS Billets and 200MT per day for TMT bars.

SML reported profit after tax (PAT) of Rs.1.43 crore on operating income of Rs.236.70 crore for FY2014-15, as compared with profit after tax (PAT) of Rs.0.78 crore on operating income of

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SMERA RATINGS LIMITED

Sugna Metals Limited (SML)

*Rating
Rationale*

Rs.160.62 crore in FY2013-14. For FY2015-16, SML registered total income of Rs.165.83 crore for the period April to February 2016.

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