

**April 21, 2016**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.00	SMERA B+/Stable (Assigned)
Proposed Cash Credit	1.60	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.6.60 crore bank facilities of Union Steels. The outlook is '**Stable**'. The rating is constrained by the working capital intensive nature of business, below average financial risk profile, thin margins due to the trading nature of business. However, the rating draws comfort from the experienced management, high revenue growth and improving operating margins.

Outlook: Stable

SMERA believes that Union Steels will maintain a stable business profile over the medium term on account of its established presence in the steel trading industry and experienced management. The outlook may be revised to 'Positive' if the firm registers higher-than-expected revenues and cash accruals while maintaining the working capital cycle along with infusion of fresh funds. Conversely, the outlook may be revised to 'Negative' in case the business risk profile weakens resulting in lesser than expected revenues or profitability and lower-than- expected net cash accruals leading to significant stretch in the working capital cycle.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Efficient working capital management
- Strengthening of the financial risk profile

About the Firm

The Kerala-based Union Steels was established in 2007 as a proprietorship concern by Mrs. Madhu Bansal. The firm trades in steel products such as pipes, fittings, non-ferrous items among others.

In FY2014-15, the firm reported profit after tax (PAT) of Rs.0.32 crore on operating income of Rs.44.71 crore, as compared to PAT of Rs.0.26 crore on operating income of Rs.34.01 crore in the previous year.

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SMERA RATINGS LIMITED

Union Steels

Rating
Rationale

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