

April 28, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.50	SMERA BBB/Stable (Assigned)
Term Loan I	5.39	SMERA BBB/Stable (Assigned)
Term Loan II	4.21	SMERA BBB/Stable (Assigned)
Letter of Credit	10.00	SMERA A3+ (Assigned)
Bank Guarantee	15.00	SMERA A3+ (Assigned)
Proposed	0.80	SMERA BBB/Stable (Assigned)

SMERA has assigned ratings of '**SMERA BBB**' (read as **SMERA triple B**) and **SMERA A3+** (read as **SMERA A three plus**) to the above mentioned bank facilities of Indian Commerce & Industries co. Private Limited (Indian Commerce). The outlook is '**Stable**'. The ratings derive comfort from the company's long track of operations, experienced and qualified management and healthy financial risk profile. The ratings also draw strength from the partially integrated production process of the company. However, the ratings are constrained by the volatility in commodity prices, working capital intensive operations and intense market competition.

Indian Commerce, the flagship company of the Beehive Kowtha Group was founded in 1907. The group is among the largest steel construction companies in South India with full-fledged fabrication operations at Madras, Vijayawada and Hyderabad. The company has a steel foundry at Vijayawada and several projects in India and abroad. It is headed by Mr. C Ramesh Kumar and Mr. C. Ravindran – Directors with over a decades experience in the industry.

Indian Commerce has a healthy financial risk profile marked by stable EBITDA margins of 8.60 percent for FY2014-15. The RoCE stands moderate at 11.69 per cent in FY2014-15. The net worth is healthy at Rs.69.90 crore as on March 31, 2015. The debt protection matrices are marked by ICR of 3.15 times and gearing of 0.20 times that majorly comprise short term debt.

The company produces M S Ingots and Billets through the induction furnace method. M S Billets are used for captive consumption in rolling mills for production of hot rolled M S Structural Steel through continuous billet casting machines.

However, the ratings are constrained by volatility in commodity prices and working capital intensive operations. The company reported WCC of 169 days as on March 31, 2015. Besides, the company faces tough market competition in the M S Steels industry.

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Outlook: Stable

SMERA believes Indian Commerce will maintain a stable business profile over the medium term owing to its experienced management and established track record. The outlook may be revised to 'Positive' if the company registers more than expected growth in revenues while achieving improvement in capacity utilisation. Conversely, the outlook may be revised to 'Negative' in case the capacity utilisation deteriorates increasing pressure on margins.

Rating Sensitivity Factors

- Sustaining growth while achieving stable margins
- Volatility in commodity prices

About the Company

Indian Commerce, the flagship company of the Beehive Kowtha Group was incorporated in 1907 by Shri. Kowtha Suryanarayan Row Pantulu. The group, one of the leading steel construction companies in south India has fabrication operations at Madras, Vijayawada and Hyderabad. It also has a steel foundry at Vijayawada and several Project sites in and India and abroad. The group is presently headed by three directors Mr. K. L. Manohar, Mr. C. Ramesh Kumar and Mr. C. Ravindran.

For FY2014-15, Indian Commerce reported profit after tax (PAT) of Rs.3.50 crore on operating income of Rs.115.08 crore as compared to PAT of Rs.4.32 on an operating income of Rs.113.46 crore for FY2013-15.

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