

March 23, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.00	SMERA BBB-/Stable (Assigned)
Term Loan	52.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	3.00	SMERA A3+ (Assigned)
Letter of Credit	3.00	SMERA A3+ (Assigned)

SMERA has assigned rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.61.00 crore long term (fund based) bank facility and '**SMERA A3+**' (read as **SMERA A three plus**) to the Rs.6.00 crore short term (non-fund based) bank facility of Lauls Limited (Lauls). The outlook is '**Stable**'. The ratings are supported by the company's long-standing presence in the steel industry and established market position. The ratings take into account the consignment contracts and fixed lease payout term from Tata Steel Limited as also the healthy financial risk profile marked by easing of debt and moderate profitability indicators. Additionally, the healthy liquidity profiles marked by adequate buffer in the cash credit limit are the other aspects that have been factored in. However, the aforementioned rating strengths are partially offset by the company's moderate debt protection indicators, sluggish industry demand and fragmented and competitive nature of the steel industry.

Outlook: Stable

SMERA believes that Lauls will continue to benefit over the medium term from its rent agreement (for 60 months) with Tata Steel and established presence in the railway equipments industry. The outlook may be revised to 'Positive' if the company registers sustained growth in revenues while improving margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the profit margins on account of depressed margins in the trading segment.

Rating Sensitivity Factors

- Improvement in the profitability margins
- Increase in the revenue from service segment

About the Company

The Faridabad-based, Lauls, established in 1966 was promoted by Mr. Abhay Sagar Gupta and family. The company is the consignment agent for Tata Steel Limited and also a distributor of ferrous alloys. Besides, it is also engaged in the manufacture of steel components viz fish plates, inserts among others for Indian Railways.

For FY2014-15, the company reported profit after tax (PAT) of Rs.10.18 crore on operating income of Rs.116.11 crore, as compared with profit after tax (PAT) of Rs.3.54 crore on operating income of Rs.114.06 crore in FY2013-14. The net worth of the company stood at Rs.37.16 crore as on March 31, 2015 against Rs.20.97 crore a year earlier.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

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