

January 20, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan	16.40	SMERA D (Assigned)
Cash Credit	3.00	SMERA D (Assigned)
Letter of Credit	4.00	SMERA D (Assigned)

SMERA has assigned a rating of '**SMERA D**' to the Rs.23.40 crore bank facilities of Varadha Steels Private Limited (VSPL). The rating reflects the company's delays in servicing debt obligations. The rating also reflects the company's stretched liquidity position, short track record of operations and weak debt protection metrics. The rating factors in the management's long-standing experience in the iron and steel industry.

About the company

VSPL, incorporated in May 2010, is a Chennai-based company promoted by Mr. K. A. Babu and Mr. K. N. Babu. VSPL commenced commercial operations in January 2013. The company is engaged in manufacturing of mild steel (MS) billets. VSPL has a manufacturing unit in Sullurpet (Andhra Pradesh), with an installed capacity of 96,000 metric tonnes per annum (MTPA). Mr. K. A. Babu, managing director of VSPL, has over three decades of experience in the iron and steel industry.

For FY2012-13 (with three months of operations), VSPL reported net loss of Rs.2.44 crore on net sales of Rs.21.77 crore. Further, the company reported net loss of Rs.0.97 crore (provisional) on net sales of Rs.27.91 crore (provisional) during April 2013 to November 2013. VSPL's net worth stood at Rs.6.78 crore (provisional) as on November 30, 2013, as compared with Rs.7.69 crore as on March 31, 2013.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher Head - Sales - Corporate Ratings Tel : +91-22-67141193 Cell : +91-9819136541 Email : sanjay.kher@smera.in Web: www.smera.in	Mr. Umesh Nihalani Head - Corporate Ratings Tel: +91-22-67141106 Cell: +91-9833651336 Email: umesh.nihalani@smera.in	Tel: +91-22-67141170 Email: ratingdesk@smera.in

Disclaimer: A 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.