



SMERA RATINGS LIMITED

**Varadha Steels Private Limited (VSPL)****Rating  
Rationale****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.

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