February 04, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	0.50	SMERA B/Stable (Reaffirmed)
Proposed Cash Credit	4.50	SMERA B/Stable (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA B' (read as SMERA B)** to the Rs.5.00 crore bank facilities of Steel World Company (SWC). The outlook is **'Stable'.**

SMERA has consolidated the business and financial risk profiles of Steel World Company and Steel India Company, another group firm, together referred to as the SI Group. The consolidation is in view of the common ownership and operational linkages within the group.

The rating remains constrained by group's moderate-scale operations coupled with decline in revenues in FY2015 to Rs.60.83 crore compared to Rs.91.41 crore in FY2014 on account of subdued demand in steel industry, working capital-intensive business and stretched liquidity position in an intensely competitive segment of the steel industry. The rating is also constrained by the susceptibility of the group's profit margins to volatility in steel scrap prices and risks related to the proprietorship/partnership constitution of the entities. However, the rating derives comfort from the firm's experienced management, low gearing (debt-to-capital ratio) and moderate coverage indicators.

Rating Sensitivity Factors:

- Ability to scale up operations along with profitability
- Efficient working capital management.

Outlook: Stable

SMERA believes the group will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in scale of operations while achieving healthy profit margins and comfortable liquidity position. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile and further investments made in unrelated activities.

About the group

Steel World Company

SWC, established in 2010, is a Pune-based partnership firm owned by Mr. Mohammad Nayeem Choudhary and Mr. Abdul Wahid Choudhary. SWC trades in metal scrap.

Steel India Company

SIC, established in 2006, is a Pune-based firm promoted by Mr. Mohammad Nayeem Choudhary. The company took over the existing business of Bombay Steel (established in 1983), that was engaged in the trading of iron and steel scrap. Steel India trades in metal scrap.

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