

Press Release

Steel India Company (SIC)

February 18, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.5.00 Cr
Long Term Rating	SMERA B/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B**' (read as **SMERA B**) on the Rs.5.00 crore bank facilities of Steel India Company (SIC). The outlook is '**Stable**'.

For analytical purposes, SMERA has consolidated the business and financial risk profiles of Steel India Company (SIC) and Steel World Company (SWC). SMERA has adopted a consolidated approach on account of significant operational and financial linkages and common management.

The rating is reaffirmed on account of continued working capital intensive operations and low profitability. The rating also factors in the susceptibility of the group's profit margins to volatility in steel scrap prices. However, the rating draws comfort from the experienced management and moderate financial risk profile.

SIC, established in 2006 is engaged in the trading of iron and steel scrap.

List of key rating drivers and their detailed description

Weaknesses:

Working capital intensive operations: The operations continue to remain working capital intensive with GCA of 295 days in FY2016 from 279 days in FY2015. The GCA remains high mainly on account of high inventory holding of 124 days and debtors of 154 days in FY2016.

Low profitability: The group continues to have low profitability on account of the trading nature of business, with operating margins at 2.17 per cent in FY2016 compared to 2.66 per cent in FY2015.

Susceptibility of profit margins to volatility in steel scrap prices: The margins are susceptible to volatility in the prices of raw material – steel scrap. Any significant change in commodity prices or over supply would have an impact on the margins of the group.

Strengths:

Experienced management: The promoter, Mr. Mohammad Nayeem Choudhary has over three decades of experience in the trading of scrap.

Moderate financial risk profile: The networth of the group stands at around Rs.21.70 crore. The TOL to TNW ratio stands moderate at around 2.15 times as on 31 March, 2016. The interest coverage stands moderate at around 1.86 times in FY2016.

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

Applicable Criteria

- Trading Entities : <https://www.smera.in/criteria-trading.htm>
- Consolidation of Companies : <https://www.smera.in/criteria-consolidation.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the group will maintain a stable outlook over the medium term owing to 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. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve the expected revenues, profitability or if the capital structure further deteriorates.

About the Group

Steel India Company

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

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.

For FY2015-16, the SIC Group reported net profits of Rs.0.79 crore on operating income of Rs.81.78 crore, as compared to net profits of Rs.0.72 crore on operating income of Rs.60.83 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	3.50	SMERA B /Stable (Reaffirmed)	27 Nov, 2015	SMERA B/Stable (Reaffirmed)	6 Nov, 2014	SMERA B/Stable (Assigned)	-	-
Proposed Cash Credit	LT	1.50	SMERA B /Stable (Reaffirmed)	27 Nov, 2015	SMERA B/Stable (Reaffirmed)	6 Nov, 2014	SMERA B/Stable (Assigned)	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	3.50	SMERA B /Stable (Reaffirmed)
Proposed Cash Credit	N.A	N.A	NA	1.50	SMERA B /Stable (Reaffirmed)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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