

March 28, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	10.00	SMERA B-/Stable (Assigned)
Letter of credit	10.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (read as **SMERA Single B minus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the to the above-mentioned bank facilities of VS Metallic Private Limited (VSMPL). The outlook is '**Stable**'. The ratings are constrained by the company's short track record of operations and small operating scale amidst intense competition prevalent in the iron and steel industry. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in prices of traded goods. However, the ratings are supported by the company's experienced management.

VSMPL, established in 2011, is a Delhi-based company engaged in trading of pig iron, cast iron and iron scrap. VSMPL commenced commercial operations in July 2013. The company has a small operating scale as reflected in revenues of Rs.22.25 crore (as per value added tax returns) during July 2013 to October 2013. VSMPL faces intense competition from several players in the unorganized sector of the iron and steel industry. The company's profit margins are susceptible to volatility in prices of traded goods.

VSMPL is poised to benefit from its experienced management. Mr. Rakesh Gupta, director of VSMPL, has around two decades of experience in the iron and steel industry.

Outlook: Stable

SMERA believes VSMPL will maintain a stable business risk profile over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company expands its scale of operations and registers higher-than-expected profit margins and coverage indicators, while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's working capital cycle or in case of deterioration in the company's capital structure.

About the company

VSMPL, established in 2011, is a Delhi-based company promoted by Mr. Rakesh Gupta. VSMPL commenced trading of pig iron, cast iron and iron scrap in July 2013.

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SMERA RATINGS LIMITED

VS Metallic Private Limited (VSMPL)

Rating
Rationale

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