

April 11, 2014

| Facilities | Amount (Rs. Crore) | Ratings |
|--|--------------------|---------------------------|
| Cash Credit | 4.50 | SMERA B/Stable (Assigned) |
| Proposed fund based Line of Credit | 0.68 | SMERA B/Stable (Assigned) |
| Proposed Letter of Credit/Bank Guarantee | 14.82 | SMERA A4 (Assigned) |

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA single B**) and **SMERA A4** (read as **SMERA A four**) to the above mentioned bank facilities of Sanjay Steel Processors (SSP). The outlook is '**Stable**'. The ratings are constrained by the sharp decline in the firm's revenue. The ratings are also constrained by the firm's low profit margin and weak financial risk profile. However, the ratings are supported by the firm's established track record of operations and experienced management.

SSP, established in 1992, is a Delhi-based partnership firm engaged in trading of various iron and steel products, including galvanized plain (GP) sheets, GP coils, hot rolled (HR) sheets and HR coils. SSP's revenues declined by 38 per cent, from Rs.55.11 crore in FY2011-12 (refers to financial year, April 01 to March 31) to Rs.34.12Crore in FY2012-13 on account of intensifying competition. The firm's net profit margin is low at 0.18 per cent in FY2012-13 on account of high interest cost. SSP has weak debt protection metrics, as reflected in high leverage of 5.04 times as on March 31, 2013 and low interest coverage ratio of 1.11 times in FY2012-13.

The firm benefits from its experienced management. Mr. Sanjay Kejriwal, Mr. Ajay Kejriwal and Mr. Rajiv Kejriwal, partners of SSP, have around two decade of experience in the iron and steel industry.

Outlook: Stable

SMERA believes that SSP will maintain a stable business risk profile in 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 higher-than-expected growth in revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in the case of deterioration in the firm's financial profile.

About the firm

SSP, established in 1992, is a Delhi-based partnership firm promoted by Mr. Sanjay Kejriwal, Mr. Ajay Kejriwal and Mr. Rajeev Kejriwal. SSP is engaged in trading of iron and steel products.

For FY2012-13, SSP reported PAT of Rs.0.06 crore on operating income of Rs.34.12 crore, as compared with PAT of Rs.0.06 crore on operating income of Rs.55.11 crore for FY2011-12. The firm's net worth stood at Rs.0.88 crore as on March 31, 2013, as compared with Rs.0.74 crore a year earlier.

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