

June 18, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	7.50	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B' (read as SMERA single B)** to the abovementioned bank facility of Modern Traders (MT). The outlook is '**Stable**'. The rating is constrained by the firm's small operating scale, uneven revenue stream and low net profit margin. The rating is also constrained by the firm's below-average financial risk profile and working capital-intensive operations. However, the rating is supported by the firm's established track record of operations and experienced management.

MT, established in 1973, is a Bengaluru-based partnership firm engaged in trading of various iron and steel products, including MS plates and Sheets, CRCA Sheets, Beams, Channels, and Angels.

MT's net profit margin is low at 0.53 per cent in FY2012-13 (refers to financial year, April 01 to March 31) due to high interest expense. The firm has weak debt protection metrics, as reflected in moderate leverage (debt-to-capital ratio) of 2.18 times as on March 31, 2013, low interest coverage ratio of 1.15 times in FY2012-13 and low net worth of Rs.4.73 crore as on March 31, 2013. MT's total debt of Rs.10.30 crore (as on March 31, 2013) includes working capital loans and unsecured loans of Rs.3.76 crore. The firm faces intense competition from several players in the iron and steel industry.

MT benefits from its experienced management. Mr. Kailash Chandra Gaur, partner of MT, has around three decades of experience in the iron and steel industry.

Outlook: Stable

SMERA believes MT will continue to benefit over the medium term from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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SMERA RATINGS LIMITED

Modern Traders (MT)

Rating Rationale

About the firm

MT, established in 1973, is a Bengaluru-based partnership firm promoted by Mr. Kailash Chandra Gaur, Mr. Rajendra Prasad Sharma, Mr. Kamlesh Kumar Sharma and Mr. Jitendar Kumar Sharma.

MT is engaged in trading of iron and steel products.

For FY2012-13, MT reported PAT of Rs.0.16 crore on operating income of Rs.31.31 crore, as compared with PAT of Rs.0.42 crore on operating income of Rs.38.25 crore for FY2011-12. The firm's net worth stood at Rs.4.73 crore as on March 31, 2013, as compared with Rs.4.78 crore a year earlier.

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