



SMERA RATINGS LIMITED

Bothra Metals & Alloys Limited (BMAL)

Rating Rationale

January 07, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	30.00	SMERA BBB-/Stable (Assigned)
Term Loan	1.61	SMERA BBB-/Stable (Assigned)
Cash Credit (proposed)	10.39	SMERA BBB-/Stable (Assigned)
Inland/Import Letter of Credit	6.50*	SMERA A3 (Assigned)
Inland/Foreign Letter of Credit/Line of Credit/Buyer's Credit	23.50	SMERA A3 (Assigned)
Inland/Foreign Letter of Credit/Line of Credit/Buyer's Credit (proposed)	5.00	SMERA A3 (Assigned)

* Fully interchangeable with Buyer's Credit

SMERA has assigned ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) and '**SMERA A3**' (read as **SMERA A three**) to the abovementioned bank facilities of Bothra Metals & Alloys Limited (BMAL). The outlook is '**Stable**'. The ratings are supported by the company's long track record of operations, experienced management and healthy revenue growth. The ratings are also supported by the company's above-average financial profile and moderate profitability. However, the ratings are constrained by the company's working capital-intensive operations. The ratings are also constrained by the company's presence in a highly competitive and fragmented segment of the non-ferrous metals industry. The ratings note that the company's profit margins are susceptible to volatility in material prices.

BMAL, incorporated in 2001, is a Mumbai-based company engaged in trading of aluminium scrap and sections. BMAL also undertakes manufacturing of aluminium extruded profiles and sections, ingots, billets and shots. The company benefits from its experienced management. Mr. Sunderlal Bothra, director of BMAL, has around 25 years of experience in the non-ferrous metals industry. BMAL's revenues have grown at a healthy compound annual growth rate (CAGR) of 39 per cent over the last four years. The company's total operating income has increased from Rs.176.13 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.224.24 crore in FY2013-14.

BMAL's above-average financial profile is marked by gearing (debt-equity ratio) of 1.32 times (as on March 31, 2014), interest coverage ratio of 2.35 times (in FY2013-14) and debt service coverage ratio (DSCR) of 1.76 times (in FY2013-14). The company's debt protection metrics are likely to improve on account of equity infusion of Rs.10.00 crore expected in FY2014-15. BMAL's moderate

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profitability is reflected in operating profit margin of 4.22 per cent and net profit margin of 1.58 per cent in FY2013-14.

BMAL's operations are working capital-intensive, as evidenced by gross current assets of 141 days and collection period of 101 days in FY2013-14. The company operates in a highly fragmented and competitive segment of the non-ferrous metals industry. BMAL's profit margins are highly susceptible to volatility in material prices.

Outlook: Stable

SMERA believes BMAL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations and substantial improvement in profitability while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues and profitability, or in case of deterioration in the company's liquidity position.

About the company

BMAL, incorporated in 2001, is a Mumbai-based company promoted by Mr. Sunderlal Bothra, Mr. Narendrakumar Bothra, Mr. Kishanlal Bothra and Mr. Sardarmal Suthar. BMAL undertakes trading of aluminium scrap and sections. The company is also engaged in manufacturing of aluminium extruded profiles and sections, ingots, billets and shots. BMAL has three manufacturing units located in Himachal Pradesh, Gujarat and Maharashtra.

BMAL has undertaken backward integration in 2013 by venturing into manufacturing of aluminium ingots and billets at its factory unit in Sangli, Maharashtra. The company has recently established a wholly owned subsidiary in Dubai Multi Commodities Centre for procurement of aluminium scrap.

For FY2013-14, BMAL reported profit after tax (PAT) of Rs.3.54 crore on total operating income of Rs.224.24 crore, as compared with PAT of Rs.4.44 crore on total operating income of Rs.176.13 crore in FY2012-13. The company registered PAT of Rs.2.56 crore (provisional) on revenues of Rs.121.80 crore (provisional) during April 2014 to September 2014. BMAL's net worth stood at Rs.34.65 crore as on March 31, 2014, as compared with Rs.31.12 crore a year earlier.

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Rating Rationale

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