

January 06, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	5.50	SMERA B+/Stable (Upgraded from SMERA B/Stable)

SMERA has upgraded the long-term rating of the Rs.5.50 crore bank facility of BM Electrotech Casting Private Limited (BM) to '**SMERA B+**' (**read as SMERA B plus**) from '**SMERA B**' (**read as SMERA B**). The outlook is '**Stable**'.

The rating upgrade is in view of the healthy growth in the operating income. The company registered compounded annual growth rate (CAGR) of 37 per cent over the last three years ended FY2014-15 owing to addition of customers coupled with improvement in operating margins to 4.68 per cent as on March 31, 2015 from 2.77 per cent a year earlier. The rating upgrade also factors in improvement in capitalisation levels to Rs.1.67 crore in FY2014-15 from Rs.0.57 crore in FY2013-14, moderate interest coverage indicators and healthy order book of Rs.~19 crore as on November 30, 2015.

The rating continues to derive comfort from the experienced management, healthy revenue growth and established relations with suppliers and customers. However, the rating is constrained by the company's working capital intensive operations and weak financial risk profile marked by leverage (total outside liabilities to total net worth ratio) of 5.90 times as on March 31, 2015.

Outlook: Stable

SMERA believes BM will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers higher-than-expected cash accruals owing to the sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or significant deterioration in the capital structure and liquidity position.

About the Company

BM, incorporated in 2009, is a Delhi-based company promoted by Mr. Lalit Agarwal and Mr. Vikas Agarwal. The company undertakes trading of industrial valves, cast iron (CI) pipes, ductile iron (DI) pipes and fittings among others.

For FY2014-15, BM reported profit after tax (PAT) of Rs.0.05 crore on operating income of Rs.12.70 crore, as compared with PAT of Rs.0.04 crore on operating income of Rs.15.57 crore in FY2013-14. BM's net worth stood at Rs.1.67 crore as on March 31, 2015, as compared with Rs.0.57 crore a year earlier.

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