

May 20, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	3.63	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Cash Credit	4.00	SMERA B+/Stable (Upgraded from SMERA B/Stable)

SMERA has upgraded long-term rating of the Rs.7.63 crore bank facility of Baba Farid Spun Pipes (BFSP) to '**SMERA B+** (read as SMERA B plus)' from 'SMERA B' (read as SMERA B). The outlook is '**Stable**'.

The ratings upgrade reflects growth in revenues and significant improvement in operating margins. SMERA also notes that the firm has healthy orders in hand which provides revenue visibility for the firm. The ratings continue to be supported by the established operations, experienced management and healthy liquidity profile (33 per cent bank limit utilised from October 2015 to March 2016). However the rating is continues to be constraint on account of small scale of operations, below average gearing and working capital intensive operations. The ratings are also constrained by the company intense competition in RCC pipes industry.

Update

BFSP has achieved operating income of Rs.8.97 crore in FY2015-16 (Provisional) as improved from Rs.5.10 crore in FY2014-15. The firm's moderate financial risk profile is marked by below average gearing (debt-to-equity) of 2.44 times as on March 31, 2015 and healthy liquidity profile (33 per cent bank limit utilised during the period October 2015 to March 2016). Moreover, the interest coverage ratio stood at 2.77 times in FY2014-15. The firm registered PAT margin of 2.76 per cent in FY2014-15 as against 5.46 per cent in FY2013-14. BFSP operates in an intensely competitive segment of the RCC pipes industry. Working capital cycle days is high at 175 days in FY2014-15.

BFSP, established in 1994, is a Chandigarh-based partnership firm engaged in manufacturing of reinforced cement concrete (RCC) pipes. BFSP benefits from its experience management. Mr. H.S. Brar, partner of BFSP, has around 35 years of experience in the firm's line of business.

Outlook: Stable

SMERA believes BFSP will maintain a stable business risk profile over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and gearing while maintaining debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Rating Sensitivity Factors

- The ability to increase its scale of operations while improving its gearing
- Improvement in working capital requirement.

About the firm

Chandigarh based BFSP, established in 1994 as proprietorship firm by Mr. H. S Brar. On 1st December 2013 the firm was converted into partnership concern and Mr. H. S Brar, Mr. Navroop Brar and Mr. Akamnoor Brar (both son of Mr. H. S Brar) are the partner of this firm. BFSP undertakes manufacturing of RCC pipes that are used for water supply schemes, drainage works, culverts and other purposes. The firm has a manufacturing unit in Mohali, Punjab.

For FY2014–15, the company reported profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.5.10 crore, as compared with profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.2.61 crore in FY2013–14. The net worth stood at Rs.2.75 crore as on March 31, 2015 against Rs.2.13 crore a year earlier.

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