

Press Release

Bagadia Brothers

13 July, 2017

Rating Reaffirmed



Total Instruments Rated*	Rs.33.00 Cr (Enhanced from Rs. 23.00 Cr)
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 33.00 crore bank facilities of Bagadia Brothers. The outlook is '**Stable**'.

Bagadia Brothers (BB), established in 1980 as a partnership firm is engaged in the trading of iron and steel products. The firm operates out of Bengaluru. The day-to-day operations are managed by Mr. Suresh Bagadia and Ms Deepika Shah.

Key Rating Drivers

Strengths

- **Experienced management and established operational track record**

The firm was established in 1980. The partners, Mr. Sunil Mehta, Mr. Suresh Bagadia and Ms Deepika Shah have more than 40 years of experience in the trading of iron and steel.

- **Average financial risk profile**

The financial risk profile is average marked by low gearing of 0.18 times as on March 31, 2016 as against 0.15 times a year earlier. Further, the TOL/TNW is average at 2.69 times as on March 31, 2016 as against 1.25 times as on March 31, 2015. The Interest coverage ratio stood at 1.76 times in FY2016 as against 3.00 times in FY2015. The tangible net worth stood at Rs.9.18 cr as on March 31, 2016 as against Rs.16.23 cr as on March 31, 2015.

Weaknesses

- **Susceptibility of margins to fluctuations in forex rates**

The profit margins are susceptible to fluctuations in foreign exchange rates since the firm imports around 51 percent of its traded goods. The firm registered forex loss of Rs.1.30 cr in FY 2015-16. The operating margin declined to 0.50 percent in FY2015-16 from 2.28 percent in FY2014-15.

- **Highly fragmented and competitive industry**

BB operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that BB will maintain a stable outlook and benefit over the medium term on account of its established presence in the industry and experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenue and cash accruals while maintaining effective working capital cycle. Conversely the outlook may be revised to 'Negative' in case the business risk profile weakens resulting in lesser than expected revenues or profitability and lower-than- expected net cash accruals leading to significant stretch in the working capital cycle.

About the Rated Entity - Key Financials

For FY2015-16, BB reported Profit after Tax (PAT) of Rs.0.58 cr on operating income of Rs.59.62 cr as compared to PAT of Rs.1.39 cr on operating income of Rs.62.61 cr in FY2014-15. The net worth stood at Rs.9.18 cr as on March 31, 2016 against Rs.16.23 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
8-June-2017	Cash Credit	Long Term	3.00	SMERA B+/ Stable
	Letter of Credit	Short Term	20.00	SMERA A4
11-Mar-2016	Cash Credit	Long Term	INR 3	SMERA BB- / Stable
	Letter of Credit	Short Term	INR 20	SMERA A4+
11-Mar-2015	Cash Credit	Long Term	INR 3	SMERA B+ / Stable
	Letter of Credit	Short Term	INR 20	SMERA A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A4

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Shalini Sekar Analyst - Rating Operations Tel: 022-67141146 shalini.sekar@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.