

March 14, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loans	170.56	SMERA B-/Stable (Reaffirmed)
Working Capital Term Loan	31.88	SMERA B-/Stable (Reaffirmed)
Funded Interest Term Loan	34.16	SMERA B-/Stable (Reaffirmed)
Cash Credit	44.49	SMERA B-/Stable (Reaffirmed)
Letter of Credit	44.86	SMERA A4 (Reaffirmed)

SMERA has reaffirmed ratings of '**SMERA B-**' (read as SMERA single B minus) to the Rs.281.09 crore fund-based bank facilities and '**SMERA A4**' (read as SMERA A four) to the Rs.44.86 crore non-fund based bank facility of Brahmaputra Metallics Limited (BML). The outlook is '**Stable**'. The rating remains constrained by the company's weak financial risk profile and liquidity position. However, the rating continues to draw comfort from the company's experienced management and timely financial support received by the company from its promoters.

Update

BML's financial profile has weakened on account of slowdown in the iron and steel industry. The company has reported cash losses since FY2014–15 (refers to financial year, April 01 to March 31). BML's debt was restructured in FY2012–13 and company continues to be in CDR in current financial year. The company's gearing (debt-equity ratio) is high at 4.73 times as on March 31, 2015. BML's net cash accrual to total debt (NCA/TD ratio) stands negative as on March 31, 2015.

BML benefits from experienced management. The promoters of the company have around three decades of experience in the steel industry. BML's promoters have provided timely financial support for repayment of external debt availed by the company.

Rating Sensitivity Factors

- Ability of the company to pay its debt obligation through operating cash flows.
- Ability to scale up operations while improving profitability
- Larger than expected debt-funded capex or working capital requirements

Outlook: Stable

BML's long-term rating has a 'Stable' outlook. The outlook may be revised to 'Positive' in case the company registers healthy cash flows while achieving sustained improvement in financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the company's business and financial risk profile.

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About the company

BML, incorporated in 2006, is a Guwahati-based company engaged in manufacturing of sponge iron and mild steel billets. BML is a joint venture between Lohia Group and Jaiswal Group. The company has a factory unit in Ramgarh (Jharkhand), with installed capacity of 1,05,000 tonnes per annum for sponge iron and 1,58,400 tonnes per annum for billets. BML also has a 20 MW captive power plant. The company's promoter group has interests in various other businesses such as cement and real estate.

For FY2014–15, BML reported net loss of Rs.35.03 crore on operating income of Rs.312.87 crore, as compared with net loss of Rs.29.43 crore on operating income of Rs.276.39 crore in FY2013–14.

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