

Press Release

Balaji Stone Crushing Plant

26 September 2017



Rating Downgraded

Total Bank Facilities Rated	10.00 Cr.
Long Term Rating	SMERA B+/Stable (Downgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4 (Downgraded from SMERA A4+)

SMERA has downgraded the long term rating to '**SMERA B+**' (read as SMERA B plus) and **short term rating to 'SMERA A4'** (read as SMERA A four) from '**SMERA BB-**' (read as SMERA double B minus) and '**SMERA A4+**'(read as SMERA A four plus) on the Rs. 10.00 crore bank facilities of Balaji Stone Crushing Plant (BSCP). The outlook is '**Stable**'.

The downgrade is in view of the deterioration in the financial risk profile along with the stretched liquidity position of the firm.

Balaji Stone Crushing Plant (BSCP) was established in 1996 as a proprietorship firm by Mr. Raman N. Bohara. The firm is engaged in crushing of stone to produce fine aggregate and sand widely used in mining, metallurgy, building materials, highway, railway, water irrigation and the chemical industry. BSCP has a crushing plant in Panvel (Navi Mumbai), with installed capacity of 1500 MT per day.

List of Key Rating drivers

Strengths:

Established track record of operations and experienced management: BSCP has an established track record of operation of more than two decades in the industry. The proprietor Mr. Raman Bohra has more than two decades of experience in the said line of business.

Weaknesses

Uneven revenue trend: BSCP registered decline in revenue In FY2017 over FY2016. The revenue stood at Rs. 20.77 crore in FY2017 (Provisional) as against Rs. 27.96 crore in FY2016 on account of demonetisation.. As the firm has to pay its labourers on cash basis, lack of funds during demonetisation resulted in absence of operations during November and December 2016.

Uneven profit margins: The profit margins of BSCP have been uneven during the period under study. The EBITDA margins declined to 10.97 per cent in FY2016 from 14.99 per cent in FY2015. However, as per provisional financials for FY2017 the margins improved to 14.79 per cent in FY2017.

Deterioration in financial risk profile: The financial risk profile of the firm deteriorated in FY2017 over FY2016. The net worth declined to Rs. 4.63 crore as on 31 March, 2017 (Provisional) from Rs. 6.29 crore as on 31 March, 2016. The gearing deteriorated to 1.81 times as on 31 March, 2017 (Provisional) as against 1.14 times as on 31 March, 2016. The interest coverage ratio stood at 2.50 times in FY2017 (Provisional) as against 2.30 times in FY2016. DSCR has also deteriorated to 2.06 times in FY2017 (Provisional) from 2.30 times in FY2016. The firm generated net cash accruals of Rs. 1.84 crore in FY2017 (Provisional) and has an annual debt repayment obligation of Rs. 0.84 crore. The NCA/TD stood at 0.22 times for FY2017 (Provisional) as compared to 0.25 times in FY2016.

Stretched liquidity position: The operations of BSCP are working capital intensive marked by stretched liquidity position in FY2017. The bank limit utilisation stood at 100 per cent for six months ending July, 2017. Also there were instances of over drawings observed in the working capital borrowings from the bank during the last six months ended July, 2017. This was on account of change in credit terms with suppliers resulting in creditor days declining from 160 days in FY2016 to 60 days in FY2017 (Provisional). SMERA believes that increased pressure from creditors for quick payment may further result in liquidity pressures for the firm.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of BSCP to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Outlook – Stable

SMERA believes that BSCP will maintain a stable outlook and continue to benefit over the medium term on account of the firm's established track record of operations in the mining industry and extensive experience of the proprietor. The outlook may be revised to 'Positive' in case the firm registers healthy revenue growth or significant improvement in its capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue growth, sharp decline in profitability margins or significant deterioration in the financial risk profile due to debt-funded capex or elongated working capital cycle.

About the Rated Entity: Key financials

For FY2016-17 (Provisional), BSCP reported profit after tax (PAT) of Rs. 0.78 crore on operating income of Rs.20.77 crore as compared to PAT of Rs.0.72 crore on operating income of Rs. 27.96 crore for FY2015-16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28 Sept, 2016	Cash Credit	Long Term	4.25	SMERA BB- / Stable (Reaffirmed)
	Term Loan	Long Term	1.11	SMERA BB- / Stable (Assigned)
	Bank Guarantee	Short Term	4.64	SMERA A4+ (Upgraded from SMERA A4)
15-Jul, 2015	Cash Credit	Long Term	3.00	SMERA BB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	2.00	SMERA BB- / Stable (Assigned)
	Bank Guarantee	Short Term	5.00	SMERA A4 (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	4.25	SMERA B+/Stable (Downgraded from SMERA BB-/Stable)
Term Loan	N.A	N.A	N.A	1.11	SMERA B+/Stable (Downgraded from SMERA BB-/Stable)
Bank Guarantee	N.A	N.A	N.A	4.64	SMERA A4 (Downgraded from SMERA A4+)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Namita Palve, Rating Analyst, Tel: +91-22-6714 1129 Email: namita.palve@smera.in	

ABOUT SMERA

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