

B. N. Sons: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	9.00	SMERA BB-/Stable (Reaffirmed)
Working Capital Term Loan	2.00	SMERA BB-/Stable (Reaffirmed)
Letter of Credit	4.00	SMERA A4 (Reaffirmed)
Bank Guarantee	7.00	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA BB-**' (read as SMERA double B minus) on the above mentioned Rs.11.00 crore long-term (fund based) bank facilities of B. N. Sons (BNS) and '**SMERA A4**' (read as SMERA A four) on the Rs.11.00 crore short-term (non-fund based) bank facilities. The outlook continues to remain '**Stable**'.

The ratings continue to be supported by the experienced management and moderate financial risk profile marked by significant growth in revenue. The firm draws comfort from the comfortable gearing and healthy orders in hand. However, the ratings continue to be constrained by the low profitability and stretched liquidity (101 per cent bank limit utilised from March 2016 to August 2016). SMERA also notes the tender based nature of business and intense competition in the wire and cable industry.

BNS, established in 1985, is a Jaipur-based firm engaged in the manufacture of power and signalling cables. The promoters possess experience of over three decades in the same line of business. BNS achieved operating income of Rs.75.25 crore in FY2015-16 (provisional), an improvement from Rs.51.53 crore in FY2014-15. The moderate financial risk profile is marked by comfortable gearing (debt-to-equity) of 0.76 times in FY2015-16 (provisional) against 1.24 times in FY2014-15. The firm's interest coverage is low at 1.16 times in FY2015-16 (provisional) against 1.19 times in FY2014-15. The firm registered PAT margin of 0.11 per cent in FY2015-16 (provisional) against 0.13 per cent in FY2014-15.

However, BNS operates in an intensely competitive segment of the cable and wire industry. The rating is also constrained by the stretched liquidity position of the firm (101 per cent bank limit utilised from March 2016 to August 2016).

Outlook- Stable

SMERA believes that BNS will continue to maintain a stable outlook and benefit over the medium term from its long standing presence in the wire and cable industry. The outlook may be revised to 'Positive' if the firm scales up its revenue along with improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the working capital cycle and liquidity.

Rating Sensitivity Factors

- Scaling up operations
- Management of working capital cycle

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

BNS established in 1985, is a Jaipur-based company promoted by Mr. Madan Mohan Somani and Mr. Mayank Somani. The firm is engaged in the manufacture of power and signalling cables.

For FY2015-16 (provisional), the firm reported profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.75.25 crore, as compared with profit after tax (PAT) of Rs.0.06 crore on operating income of Rs.51.53 crore in FY2014-15. The net worth stood at Rs.13.87 crore (included quasi equity of Rs.6.36 crore) as on March 31, 2016 (provisional) against Rs.8.76 crore (included quasi equity of Rs.2.36 crore) a year earlier.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
23 July , 2015	Cash Credit	9.00	SMERA BB- (Assigned)	-	Stable
	Working Capital Term Loan	2.00	SMERA BB- (Assigned)	-	Stable
	Letter of Credit	4.00	-	SMERA A4 (Assigned)	-
	Bank Guarantee	7.00	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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