

Press Release

Blue Stampings & Forging Limited (BSFL)

13 February, 2017

Rating Downgraded

Total Bank Facilities Rated*	Rs.30.00 Cr
Long Term Rating	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term rating to '**SMERA BB (read as SMERA double B)**' from '**SMERA BB+**' (read as SMERA double B plus) and reaffirmed the short term rating of '**SMERA A4+ (read as SMERA A four plus)**' on the Rs.27.05 crore bank facilities of Blue Stampings & Forging Limited (BSFL).

SMERA has also assigned rating of '**SMERA A4+ (read as SMERA A four plus)**' on the Rs.2.95 crore short term bank facility and withdrawn the rating of '**SMERA BB**' (read as SMERA double B) on the Rs.2.25 crore bank facility as there are no dues outstanding in the account. The outlook is '**Stable**'.

The rating downgrade is on account of deterioration in the financial risk profile due to write off of investment in group entities, bad debts and stretched liquidity position.

BSFL is a Delhi-based public limited company engaged in the manufacturing of forging components used in automotive and defence industries.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The management has more than three decades of experience in the aforementioned line of business.

Reputed clientele: The company has a reputed client base including Ashok Leyland, JCB India, John Deere to name a few.

Weaknesses:

Decline in operating margins: The operating margins stand at 9.91 per cent for FY2015-16 as against 12.97 per cent for FY2014-15. With the writing off of bad debts of French subsidiary Mecastamp, the margins declined to the tune of Rs.6.34 crore in FY2015-16. The company has been liquidated resulting in net loss of Rs.2.25 crore in FY2015-16.

Deterioration of financial risk profile: BSFL had invested Rs.13.28 crore in two group entities; one of which is liquidated while the other is non-operational. The company wrote off Rs.12.39 crore in FY2015-16 (investments and advances) from its net worth (BSFL) which resulted in gearing of 1.56 times as on 31 March, 2016 as against 1.00 times as on 31 March, 2015. The ICR declined to 1.20 times for FY2016 as against 1.67 times in FY2015.

Working capital intensity: BSFL's working capital cycle increased from 48 days in FY2014-15 to 73 days in FY2015-16 on account of increase in inventory holding. Inventory days increased from 62 in FY2014-15 to 76 in FY2015-16 on account of holding of finished goods for the auto sector. Debtors outstanding for more than six months stood at Rs.2.23 crore which is 9.76 per cent of total debtors outstanding as on 31 March, 2016. The bank limit utilisation has been full at around 96 per cent on an average for six months ended August 2016.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

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

Outlook: Stable

SMERA believes that BSFL will continue to maintain a stable outlook owing to its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the scale of operations improves substantially while maintaining profit margins. Conversely, the outlook may be revised to 'Negative' in case the business risk profile weakens resulting in lesser than expected revenues or profitability and deterioration in the working capital cycle.

About the Rated Entity

BSFL, incorporated in 1979, is engaged in the manufacture of forging products that find application in commercial vehicles, tractors, earth moving objects among others. The manufacturing facilities are located at Faridabad.

BSFL reported net loss of Rs.2.25 crore on net sales of Rs.91.53 crore in FY2015-16 as against PAT of Rs.0.91 crore on net sales of Rs.91.88 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	5.75	SMERA BB/Stable (Downgraded)	04 Sept, 2015	SMERA BB+/Stable (Assigned)	-	-	-	-
Cash Credit*	LT	15.25 (Enhanced from 12.25)	SMERA BB/Stable (Downgraded)	04 Sep, 2015	SMERA BB+/Stable (Assigned)	-	-	-	-
Inland/Foreign Letter of Credit	ST	4.00	SMERA A4+ (Reaffirmed)	04 Sept, 2015	SMERA A4+ (Assigned)	-	-	-	-
Inland Bank Guarantee	ST	2.95	SMERA A4+ (Assigned)	-	-	-	-	-	-
Proposed Facilities	LT	2.05	SMERA BB/Stable (Downgraded)	04 Sept, 2015	SMERA BB+/Stable (Assigned)	-	-	-	-
Term Loan	LT	2.25	SMERA BB/Stable (Withdrawn)	-	-	-	-	-	-

*Includes sublimit of EPC/FBP to the extent of Rs. 1.00 Crore.

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	N.A	N.A	31 Aug, 2018	5.75	SMERA BB/Stable (Downgraded)
Cash Credit*	N.A	N.A	N.A	15.25 (Enhanced from 12.25)	SMERA BB/Stable (Downgraded)
Inland/Foreign Letter of Credit	N.A	N.A	N.A	4.00	SMERA A4+ (Reaffirmed)
Inland Bank Guarantee	N.A	N.A	N.A	2.95	SMERA A4+ (Assigned)
Proposed Facilities	N.A	N.A	N.A	2.05	SMERA BB/Stable (Downgraded)
Term Loan	N.A	N.A	31 March, 2017	2.25	SMERA BB/Stable (Withdrawn)

*Includes sublimit of EPC/FBP to the extent of Rs. 1.00 Crore.

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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