

Press Release

Paras Bhavani Steel Private Limited

July 17, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 68.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 68.50 crore bank facilities of Paras Bhavani Steel Private Limited. The outlook is '**Stable**'.

Incorporated in 2004, Paras Bhavani Steel Private Limited (Paras Bhavani) was promoted by Mr. Paras Mal Bohra and family. The company is engaged in the manufacture of steel rolled products, steel pipes among others at Ahmedabad. The company has two facilities located at Odhav and Rajpur with installed capacity of 24000 mtpa and 9000 mtpa respectively.

Key Rating Drivers

Strengths

- **Experienced promoters**

The company was promoted by Mr. Paras Mal Bohra and Mr Kaushal Bohra. The promoters possess experience of three decades in the galvanised pipes manufacturing business.

- **Diversified product profile**

The company manufactures a diversified range of steel rolled products S.S. seamless tubes, steel pipes, s. s tubes, stainless steel round pipe among others and caters to the pharmaceutical, construction, automobile industries to name a few.

- **Financial support from promoters**

The promoters have demonstrated their financial support in the form of equity contribution and unsecured loan of Rs. 25 crore which is subordinated to bank debt. SMERA has treated the same as quasi equity.

- **Moderate financial profile**

The company has moderate financial profile marked by gearing of 0.83 times as on 31 March, 2017 (Provisional) as against 0.77 times in the previous year. The company has average debt service indicators with Interest coverage ratio (ICR) of 1.78 times for FY2017 (Provisional) as against 1.67 times for FY2016. Further, the DSCR stood at 1.10 times in FY2017 (Provisional) and 1.06 times in FY2016. Going forward, the gearing is expected to remain moderate despite its debt funded capex.

Weaknesses

- **Competitive and fragmented industry**

The company is exposed to intense competition in the pipes and tubes industry.

- **Uneven revenue**

The revenue has been uneven. In FY2015, the operating income stood at Rs. 146.20 crore which increased to Rs.163.39 crore in FY2016. Further, in FY2017 (Provisional) the operating income decreased to Rs. 148.93 crore on account of fall in the flow of orders.

• Working capital intensive operations

The operations are working capital intensive with high gross current asset days of 183 in FY2017 (Provisional) as against 214 days in FY2016. This is mainly due to high debtor period of 105 and 111 days for FY2017 (Provisional) and FY2016.

• Susceptibility of profit margins to fluctuations in raw material prices

The company is exposed to fluctuations in the prices of raw material (CR coils). However, the risk is mitigated to an extent since the production is order based.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Paras Bhavani to arrive at the rating.

Outlook: Stable

SMERA believes that Paras Bhavani will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues and profit margins while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' if profitability comes under pressure, or the company undertakes larger-than-expected debt-funded capex leading to deterioration in its financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, Paras Bhavani reported profit after tax (PAT) of Rs. 1.43 crore on operating income of Rs. 163.39 crore compared to PAT of Rs. 2.87 crore on operating income of Rs. 146.20 crore for FY2014-15. Further, the company reported revenue of Rs. 148.93 crore in FY2017 (Provisional) with PAT of Rs. 1.83 crore. The networth stands at Rs. 48.89 crore in FY2017 (Provisional) as against Rs. 43.77 crore in FY2016 and Rs. 38.52 crore in FY2015.

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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
17-May-2016	Cash Credit	Long Term	INR 33	SMERA BB / Stable
	Term Loan	Long	INR 13.5	SMERA BB / Stable

		Term		
	Letter of Credit	Short Term	INR 22	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	25.00	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+
Term loans	Not Applicable	Not Applicable	Not Applicable	2.90	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.48	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.04	SMERA BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	6.68	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA BB / Stable

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ABOUT SMERA

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