

### BMSS Steel Industries Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	4.00	SMERA B+/Stable (Assigned)
Letter of Credit	6.00	SMERA A4(Assigned)

SMERA has assigned ratings of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.4.00 crore long term (fund based) and '**SMERA A4**' (**read as SMERA A four**) on the Rs.6.00 crore short term (non-fund based) bank facility of BMSS Steel Industries Private Limited (BMSS). The outlook is '**Stable**'. The ratings are constrained by the small scale of operations and working capital intensive business. Further, the ratings also factor in the competitive and fragmented steel industry and high leverage. However, the aforementioned weaknesses are partially offset by the experienced management and healthy relations with customers and suppliers.

BMSS is engaged in the trading of steel products. The company has small scale of operations evident from the operating income of Rs.23.03 crore in FY2014-15 against Rs.22.06 crore in FY2013-14 (refers to financial year, April 1 to March 31). The operations are capital intensive marked by gross current asset (GCA) of 131 days in FY2014-15 as against 132 days during the previous year. SMERA believes that this is expected to remain so over the medium term due to high receivable period of 80-90 days.

The company has a weak financial risk profile marked by high leverage (total outside liability to total net worth ratio) of 3.76 times in FY2014-15 against 4.04 times in FY2013-14 and faces intense market competition in the steel trading industry.

However, BMSS benefits from its experienced management. Mr. Himatlal Garodia, Director, has 35 years of experience in the steel trading industry. Further, the company enjoys healthy relations with customers and suppliers.

#### Outlook: Stable

SMERA believes that BMSS will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case of significant and sustained improvement in operating income while maintaining profitability margins and leverage. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the revenue profile, lengthening of working capital cycle or debt funded capital expansion.

#### Rating Sensitivity Factors

- Efficient working capital cycle
- Sustainable growth in revenue and profitability profile

#### Criteria applied to arrive at the ratings:

- Trading Entities

### About the Company

The Maharashtra-based BMSS was incorporated in 1983 by Mr. Himatlal Garodia. The company is engaged in the trading of specialty steel used for manufacturing automobile components such as crank, shaft, axle steering rod among others.

For FY2014–15, the company reported profit after tax (PAT) of Rs.0.19 crore on operating income of Rs.23.03 crore, as compared with profit after tax (PAT) of Rs.0.19 crore on operating income of Rs.22.06 crore in FY2013–14. For FY2015–16, the company booked revenue of Rs.21.34 crore (Provisional figures for 11 months). The net worth stood at Rs.1.98 crore as on March 31, 2015 against Rs.1.91 crore a year earlier.

### Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operation, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

### ABOUT SMERA

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