

## Press Release

### BMSS STEEL INDUSTRIES PRIVATE LIMITED

28 December, 2017

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.10.00 crore bank facilities of BMSS STEEL INDUSTRIES PRIVATE LIMITED. The outlook is '**Stable**'.

The Maharashtra based BMSS Steel Industries Private Limited (BMSS), incorporated in 1987 by Mr. Himatlal Garodia and Mr. Rajiv Garodia, is engaged in the trading of specialty steel used for manufacturing automobile components such as crank shafts, axle steering rods etc.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The Directors, Mr. Himatlal Garodia and Mr. Rajiv Garodia have experience of more than three decades in the steel trading industry.

- **Significant growth in operations**

The company's scale of operations is moderate with operating income of Rs. 45.31 crore in FY2017 as against Rs. 21.34 crore in FY2016. The growth is on account of increase in steel prices along with increased business from existing customers. The company registered revenue of Rs. 41.25 crore for the period April 2017 to November 2017.

#### Weaknesses

- **Decline in margins**

BMSS operates in a highly fragmented industry characterised by the presence of a large number of unorganised players, thus limiting its bargaining power with customers. The operating margin (EBIDTA) declined to 1.70 per cent in FY2017 from 3.02 per cent in FY2016. The profit after tax (PAT) margin fell to 0.49 per cent in FY2017 from 0.92 per cent in FY2016. The margins have declined due to intense competition in the metal trading business. The profitability is expected to remain low due to the trading nature of business.

- **Average financial risk profile**

The financial risk profile is average marked by net worth of Rs. 3.23 crore as on 31 March, 2017, as against Rs.2.15 crore as on 31 March, 2016. The gearing (debt/equity ratio) stood at 1.30 times as on 31 March, 2017 compared to 0.05 times in the previous year. The total debt of Rs.4.19 crore majorly comprises working capital borrowings of Rs 3.91 as on 31 March, 2017. The total outstanding liabilities to tangible networth (TOL/TNW) stood at 5.52 times in FY2017 as against 2.82 times in the previous year. The interest coverage ratio (ICR) improved to 1.50 times in FY2017 as against 2.09 times in FY2016.

- **Presence in a competitive and fragmented industry**

The company operates in a competitive and fragmented industry. Entry barriers could impact

BMSS' profitability profile.

### Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

### Outlook: Stable

SMERA believes that BMSS will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of sustained growth in revenues and operating profitability while improving the financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or deterioration in the financial risk profile and working capital management.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	45.31	21.34	23.03
EBITDA	Rs. Cr.	0.77	0.65	0.68
PAT	Rs. Cr.	0.22	0.20	0.19
EBITDA Margin	(%)	1.70	3.02	2.94
PAT Margin	(%)	0.49	0.92	0.80
ROCE	(%)	22.53	20.14	32.97
Total Debt/Tangible Net Worth	Times	1.30	0.05	0.97
PBDIT/Interest	Times	1.50	2.09	1.85
Total Debt/PBDIT	Times	3.65	0.17	2.80
Gross Current Assets (Days)	Days	161	118	131

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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. Crore)	Ratings/Outlook
26-Sep, 2017	Cash Credit	Long Term	INR 4	SMERA B+ (Indicative)
	Letter of Credit	Short Term	INR 6	SMERA A4 (Indicative)
30-Jul,2016	Cash Credit	Long Term	INR 4	SMERA B+ / Stable (Assigned)
	Letter of Credit	Short Term	INR 6	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	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B+ / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4 (Reaffirmed)

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**ABOUT SMERA**

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