

Press Release

BMSS Steel Industries Private Limited (BSIPL)

July 03, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.20.00 Cr. (Enhanced from Rs.10.00 Cr)
Long Term Rating	ACUITE B+/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.12.50 crore bank facilities of BMSS Steel Industries Private Limited (BSIPL). The outlook is '**Stable**'.

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.7.50 crore bank facilities of BMSS Steel Industries Private Limited (BSIPL). The outlook is '**Stable**'.

Incorporated in 1987, BMSS Steel Industries Private Limited (BMSS) is a Maharashtra based company promoted by Mr. Himatlal Garodia and Mr. Rajiv Garodia. The company is engaged in the trading of specialty steel used for manufacturing automobile components such as crank shafts, axle steering rods, to name a few. Since April 2017, the company has also started processing of steel. Further, BMSS has its processing unit in Kalamboli (Navi Mumbai) with capacity of 400 tonnes per month.

Key Rating Drivers

Strengths

- Experienced management**

BSIPL was incorporated in 1987 and is led by Directors, Mr. Himatlal Garodia and Mr. Rajiv Garodia who have experience of more than three decades in the steel industry. The extensive experience of the Directors has led to established market presence of BSIPL enabling it to build strong business ties with its suppliers and customers.

- Steady growth in scale of operations and increase in profitability**

BSIPL has reported operating income of Rs.53.06 crore for FY2018 (Estimated) which has grown from Rs.45.31 crore in FY2017 and Rs.21.34 crore in FY2016. Further, the operating margins have increased to 4.22 percent in FY2018 (Estimated) from 1.70 percent in FY2017. The growth is on account of new line of business i.e. processing of steel along with increased business from existing customers. Profit after Tax (PAT) margin increased to 0.93 percent in FY2018 (Estimated) from 0.49 percent in FY2017.

Weaknesses

- Average financial risk profile**

The financial risk profile is average marked by net worth of Rs.4.14 crore as on 31 March, 2018 (Estimated), as against Rs.3.23 crore as on 31 March, 2017. The gearing (debt to equity) stood at 1.55 times as on 31 March, 2018 (Estimated) as against 2.01 times in the previous year. The total debt of as on 31 March, 2018 of Rs.6.40 crore majorly comprises working capital borrowing of Rs.6.07 crore and term loans of Rs. 0.33 crore (Estimated). The Total Outstanding Liabilities to Tangible Net Worth

(TOL/TNW) stood at 4.54 times as on 31 March, 2018 (Estimated) as against 5.52 times in the previous

year. The Interest Coverage Ratio (ICR) stood at 1.51 times in FY2018 (Estimated) as against 1.50 times in FY2017.

- **Intensive working capital operations**

BSIPL's operations are working capital intensive marked by Gross Current Assets (GCA) of 147 days in FY2018 (Estimated) as against 161 days in FY2017. Inventory days stood at 38 days in FY2018 (Estimated) as compared to 75 days in FY2017. The company had debtors outstanding of 95 days in FY2018 (Estimated) as against 65 days in FY2017. Further, it had creditor days of 84 days in FY2018 (Estimated) as against 96 days in FY2017.

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

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

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the BSIPL to arrive at this rating.

Outlook: Stable

Acuite believes that BSIPL 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	FY18 (Estimated)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	53.06	45.31	21.34
EBITDA	Rs. Cr.	2.24	0.77	0.65
PAT	Rs. Cr.	0.50	0.22	0.20
EBITDA Margin	(%)	4.22	1.70	3.02
PAT Margin	(%)	0.93	0.49	0.92
ROCE	(%)	22.33	15.23	14.61
Total Debt/Tangible Net Worth	Times	1.55	2.01	1.14
PBDIT/Interest	Times	1.51	1.50	2.09
Total Debt/PBDIT	Times	2.72	5.66	3.57
Gross Current Assets (Days)	Days	147	161	118

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Dec-2017	Cash Credit	Long Term	4.00	ACUITE B+/ Stable (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Reaffirmed)
26-Sep-2017	Cash Credit	Long Term	4.00	ACUITE B+ Issuer not co-operating*
	Letter of Credit	Short Term	6.00	ACUITE A4 Issuer not co-operating*
30-Jul-2016	Cash Credit	Long Term	4.00	ACUITE B+/Stable (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE 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	4.50 (Enhanced from Rs.4.00 Cr)	ACUITE B+/ Stable (Reaffirmed)
Letter of credit*	Not Applicable	Not Applicable	Not Applicable	8.00 (Enhanced from Rs.6.00 Cr)	ACUITE A4 (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B+/ Stable (Assigned)
Proposed Letter of credit*	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Assigned)

*BG is sublimit of LC upto Rs. 3.00 crore.

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About Acuité Ratings & Research:

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