

Press Release

Berry Alloys Limited

24 July, 2017



Rating Upgraded

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 49.42 Cr. |
| Long Term Rating | SMERA B+ / Outlook: Stable |
| Short Term Rating | SMERA A4 |

* Refer Annexure for details

Rating Rationale

SMERA has upgraded 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. 49.42 crore bank facilities of Berry Alloys Limited. The outlook is '**Stable**'.

Berry Alloys Limited (BAL), established in 2006 as by Mr Vijay Gupta, Mr Amarendra Goel and Mr Shiv Kumar Sharma is engaged in the manufacturing of silico manganese at Andhra Pradesh. The installed capacity stands at 2500 MT per month. The administrative office is located at Kolkata.

Key Rating Drivers**Strengths****• Experienced management**

The Directors, Mr. Vijay Gupta, Mr. Amarendra Goel and Mr. Shiv Kumar Sharma possess experience of around a decade in the metal industry. Mr. Vijay Gupta is also the Director of BMA Stainless Limited.

• Above-average financial risk profile

The above average financial risk profile is marked by high net worth of Rs.29.49 crore in FY2017 as against Rs.28.4 crore in FY2016. This is backed by retention of current year profit and fresh infusion of Rs.18.00 crore of unsecured loan by the promoters. SMERA has considered the same as quasi equity based on the minimum capital undertaking provided by BAL. The gearing stands moderate at 1.65 times in FY2017 against 15.16 times in FY2016. The interest coverage ratio (ICR) has been healthy at 2.92 times with DSCR at 2.12 times and NCA/TD at 0.24 times in FY2017.

Weaknesses**• Working capital intensive operations**

The working capital intensive operations are marked by high gross current assets days of 120 in FY2017 compared to 99 days in FY2016. This is mainly due to increase in debtor days to 55 in FY2017 as against of 8 days in FY2016. The debtor days increased due to delay in receipt of payments from government authorities.

• Intense competition

BAL operates in a highly fragmented industry with low entry barriers and intense competition from organised and unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of BAL.

Outlook: Stable

SMERA believes that BAL will maintain a 'Stable' outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in its working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17, BAL reported profit after tax (PAT) of Rs.8.65 crore on total operating income of Rs.147.35 crore, compared to net loss of Rs.15.02 crore on total operating income of Rs.56.38 crore in FY2015-16.

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

NA

Any other information

NA

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|-----------------|
| 08-Aug-2016 | Cash Credit | Long Term | INR 16 | SMERA D |
| | Term Loan I | Long Term | INR 5.8 | SMERA D |
| | Term Loan II | Long Term | INR 6 | SMERA D |
| | Working Capital Term loan | Long Term | INR 12.45 | SMERA D |
| | Funded Interest Term loan | Long Term | INR 2.67 | SMERA D |
| | Bank Guarantee | Short Term | INR 2 | SMERA D |
| | Letter of Credit | Short Term | INR 4.5 | SMERA D |

*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 | Not | Not | 16.00 | SMERA B+ / |

| | | | | | |
|------------------------------------|----------------|----------------|----------------|-------|-------------------|
| | Applicable | Applicable | Applicable | | Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 5.80 | SMERA B+ / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 6.00 | SMERA B+ / Stable |
| Working capital demand loan (WCDL) | Not Applicable | Not Applicable | Not Applicable | 12.45 | SMERA B+ / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 2.67 | SMERA B+ / Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 2.00 | SMERA A4 |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 4.50 | SMERA A4 |

Contacts

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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