

Press Release

03 March, 2017

Bs Mining Corporation Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.14.80 Cr
Long Term Rating	SMERA BB/Stable
Short Term	SMERA A4+

*Refer Annexure for details

Rating Rationale

SMERA has assigned 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. 14.80 crore bank facilities of Bs Mining Corporation Private Limited. The outlook is '**Stable**'.

BS Mining Corporation Private Limited (BSMCPL) was established in 1994 as a proprietorship firm and converted to private limited in 2008. Promoted by Mr. Sarat Chandra Nayak and Mrs. Parbati Nayak, the company undertakes contracts for mining, extraction of iron ore and civil construction work for the TATA group in Joda, Odisha.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**
BSMCPL has been in operation since 1994. The Directors, Mr. Sarat Chandra Nayak and Mrs. Parbati Nayak possess experience of over two decades in the mining industry.
- Above average financial risk profile**
BSMCPL has above average financial risk profile marked by modest net worth of Rs.17.11 cr in FY2016, high gearing of 2.38 times and comfortable interest coverage ratio of 3.85. The debt service coverage ratio stood at 3.79 times while the NCA/TD stood at 0.22 times in FY2016.
- Healthy order book position**
The company has order book of Rs.387.00 crore for mining and civil construction. This includes orders from TATA Steel Mining Operation, Rungta Mines, Usha Martin and other local mines in Joda. With regard to construction, the company caters to the TATA group for building of roads and office premises.

Weaknesses

- Debt funded capex plan**
The company plans to expand capacity at a total project cost of Rs 15 cr likely to be funded in the debt-equity ratio of 4:1. The project is expected to commence in FY2017 and be completed by FY2018.
- Working capital intensive operations**
BSMCPL's operations are working capital intensive marked by high gross current asset days of 209

during FY2016 as compared to 210 days in FY2015. This necessitates working capital requirements as major funds gets blocked in inventory and debtor. The inventory and debtor days were high at 78 and 111 days respectively in FY2016 as compared to 70 and 112 days in FY2015.

• Mining is susceptible to changes in government regulations

The above rating factors in the implications of the unfavourable changes in government regulations in mining.

Analytical Approach

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

Outlook: Stable

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

About the Rated Entity - Key Financials

For FY2015-16, BSMCPL reported profit after tax (PAT) of Rs 0.18 cr on total operating income of Rs.58.75 cr, as compared with PAT of Rs.0.12 cr on total operating income of Rs.50.97 cr in FY2014-15.

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)

Not Applicable

***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	14.30	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+

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ABOUT SMERA

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