

Press Release

BS Mining Corporation Private Limited

March 12, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 16.80 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 14.80 crore and assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 2.00 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 operation**

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**

The above average financial risk profile of the company is marked by healthy Network, high gearing and comfortable debt protection metrics. The net worth of the company stood healthy at Rs.19.32 crore in FY2017 as compare to Rs.17.11 crore in FY2016, mainly on account of retention of current year profit. The gearing of the company stood high at 2.22 times in FY2017 as compare to 2.38 times in FY2016. The total debt profile of Rs.42.98 crore is consist of long term debt of Rs.28.68 crore and short term debt of Rs.14.31 crore. The interest coverage ratio (ICR) of the company stood comfortable at 3.39 times in FY2017 as compare to 3.85 times in FY2016. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.71 times in FY2017 as compare to 1.59 times in FY2016. The net cash accruals against the total debt stand comfortable at 0.27 times in FY2017 as compare to 0.22 times in FY2016.

Weaknesses

- **Moderate scale of operation**

The scale of operation stood moderate at Rs.92.51 crore in FY2017 as compare to Rs.58.75 crore in FY2016. The company has booked Rs.90.00 crore till November in FY2018 (Provisional). Going forward, SMERA believes the revenue of the company will increase steadily on account of healthy order book position of Rs. 328 crore as on December 2017.

- **Working capital intensive nature of operation**

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 153 days in 2016-17, as compared to 209 days in 2015-16. These high GCA days emanate from collection period and high inventory days of 70 and 69 days in FY17. The company's operations are expected to remain capital intensive, as the company is engaged extraction of iron ore and construction

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business, which leads to a relatively high collection and inventory period mainly inherent cyclicity of the industry. The collection days stands high due to late payment realization from the customers. High inventory days is emanates from the ongoing project execution where certain portion of the construction work is work in progress.

Analytical Approach

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

Outlook: Stable

SMERA believes BSMCPL will maintain a stable business risk profile in the medium term on account of 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 improves its working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	92.51	58.75	50.97
EBITDA	Rs. Cr.	17.82	12.46	9.73
PAT	Rs. Cr.	2.22	0.18	0.12
EBITDA Margin	(%)	19.26	21.21	19.08
PAT Margin	(%)	2.40	0.30	0.24
ROCE	(%)	15.13	7.52	8.15
Total Debt/Tangible Net Worth	Times	2.22	2.38	1.51
PBDIT/Interest	Times	3.39	3.85	3.66
Total Debt/PBDIT	Times	2.41	3.26	2.62
Gross Current Assets (Days)	Days	153	209	210

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

NA

Any other information

NA

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Mar-2017	Cash Credit	Long Term	INR 14.30	SMERA BB/ Stable (Assigned)
	Bank Guarantee	Short Term	INR 0.50	SMERA A4+ (Assigned)

***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 Applicable	Not Applicable	Not Applicable	14.30	SMERA BB/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+ (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB/ Stable (Assigned)

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ABOUT SMERA

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