

Press Release

BS Mining Corporation Private Limited

February 14, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 17.80 Cr. (Enhanced from Rs.16.80 crore)
Long Term Rating	ACUITE BB/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed & Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and also reaffirmed and assigned the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.17.80 crore of bank facilities of BS Mining Corporation Private Limited (BSPL). The outlook is '**Stable**'.

BSPL 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).

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of BSPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

BSPL has been in operation since 1994. The Mr. Sarat Chandra Nayak and Mrs. Parbati Nayak possess experience of over two decades in the mining industry.

Moderate financial risk profile

The financial risk profile of the company is marked by healthy net worth, moderate gearing and comfortable debt protection metrics. The net worth of the company stood healthy at Rs.21.97 crore in FY2018, an increase from Rs.19.32 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood moderate at 1.99 times in FY2018, a declined from 2.22 times in FY2017. The total debt of Rs.43.71 crore consist of long term debt of Rs.26.14 crore, unsecured loan from promoters of Rs.3.30 crore and short term loan of Rs.14.27 crore as on 31 March 2018. The interest coverage ratio (ICR) of the company stood comfortable at 3.69 times in FY2018 as compared to 3.39 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.43 times in FY2018 as compared to 1.71 times in FY2017. The net cash accruals against the total debt (NCA/TD) stood comfortable at 0.28 times in FY2018 as compared to 0.27 times in FY2017.

Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 140 days in 2017-18 as compared to 153 days in 2016-17. These high GCA days emanates from collection period and moderate inventory days of 57 and 69 days in FY18. The company's operations are expected to remain capital intensive, as the company is engaged in extraction of iron ore and construction business, which leads to a relatively high collection and inventory period mainly due to inherent cyclicity of the industry.

Competitive and fragmented industry

BSPL is into road projects wherein the sector is marked by the presence of several mid to large sized players. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclicalities in the road sector. The recent relaxation of qualification norms by the Central Government for undertaking road projects is further expected to intensify the competitive scenario in the industry leading to pressure on the profitability margins. Acuite believes that the firm's revenues and margins are susceptible to the competitive bidding scenario, besides the geographical concentration of its projects in the states of Odisha.

Liquidity Position:

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligation. The company had generated cash accruals of Rs.12.12 crore in FY2017-18, while its maturing debt obligations were of Rs.7.00 crore in FY2017-18. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 140 in FY 2018. This has led to higher reliance on working capital borrowings, the working capital limit in the group remains utilised at 100 percent during the last 6 months period ended December 2018.

Outlook: Stable

Acuite believes that BSPL 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	110.82	92.51	58.75
EBITDA	Rs. Cr.	18.50	17.82	12.46
PAT	Rs. Cr.	2.65	2.22	0.18
EBITDA Margin	(%)	16.70	19.26	21.21
PAT Margin	(%)	2.39	2.40	0.30
ROCE	(%)	15.01	15.13	7.52
Total Debt/Tangible Net Worth	Times	1.99	2.22	2.38
PBDIT/Interest	Times	3.69	3.39	3.85
Total Debt/PBDIT	Times	2.36	2.41	3.26
Gross Current Assets (Days)	Days	140	153	209

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-14.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. Cr)	Ratings/Outlook
13-Feb-2018	Cash Credit	Long Term	14.30	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Proposed Long Term	Long Term	2.00	ACUITE BB/Stable (Assigned)
03-Mar-2017	Cash Credit	Long Term	14.30	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.30	ACUITE BB/Stable (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)

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About Acuite Ratings & Research:

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