

Press Release

B K Rolling Mills Private Limited

May 09, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.91 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 10.91 crore bank facilities of B K Rolling Mills Private Limited. The outlook is '**Stable**'.

B K Rolling Mills Private Limited (B K Rolling) was established in 2005 by Mr Bijay Agarwal. The company is engaged in the manufacture of iron and steel products such as angles and channels. The installed capacity stands at 30,000 tpa.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoter, Mr Bijay Agarwal has more than a decades experience in the iron and steel industry. Currently, his son Mr. Harish Agrawal oversees the day-to-day operations of the company.

- **Average financial risk profile**

The average financial risk profile is marked by its moderate gearing, and average debt protection measures and low networth. Debt equity stands at 1.72 times and interest coverage at 1.51 times in FY2016. Total debt of Rs 10.41 crore consist of long term debt of Rs 2.24 crore out of which Rs 0.99 crore is of unsecured loan and Rs 1.25 crore of term loan and Rs 8.17 crore of short term debt (cash credit facility). Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.05 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.07 times in FY2016. The net worth is Rs 6.03 crore in FY2016.

Weaknesses

- **Modest scale of operations**

The company operates at modest scale of operations. The revenue decreased to Rs 39.82 cr in FY2016 from Rs 43.57 cr in FY2015 due to fluctuations in the prices of steel. Till January 2017 (Provisional) it had registered revenue of Rs 36 crore.

- **Thin profit margin**

The profit margins of the company are at thin levels. Though the operating margin increased to 3.96 per cent in FY2016 from 3.31 per cent in FY2015 it still continues to be low. The company registered net profit margin of 0.20 per cent in FY2016 as compared to 0.64 per cent in FY2015 on account of high interest cost and depreciation.

- **Susceptibility of margins to fluctuations in steel prices:**

The profit margins and sales remain exposed to the inherent cyclicity in the steel industry and fluctuations in steel prices.

Analytical Approach

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

Outlook: Stable

SMERA believes that BK Rolling will continue to maintain a stable outlook over the medium term owing to its promoters extensive experience in the steel industry. The outlook may be revised to 'Positive' if BK Rolling achieves more than envisaged sales and profitability while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the financial risk profile deteriorates.

About the Rated Entity - Key Financials

For FY2015-16, the company reported Profit After Tax (PAT) of Rs.0.08 cr on total operating income of Rs.39.82 cr as compared to PAT of Rs.0.28 cr on total operating income of Rs.43.57 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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	30-Apr-2019	0.91	SMERA BB- / Stable

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ABOUT SMERA

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