

Press Release

B K Rolling Mills Private Limited

May 22, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed 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 (BKRM), a Chattisgarh-based company was established in 2005 by Mr. Bijay Agarwal. The company is engaged in manufacture of iron and steel products such as angles and channels. The installed capacity stands at 30,000 tonnes per annum.

Key Rating Drivers

Strengths

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

BKRM was established in 2005 by Mr. Bijay Agrawal and his son, Mr. Harish Agrawal. The promoters of the company have more than a decade of experience in the iron and steel industry.

- **Average financial risk profile**

The average financial risk profile is marked by its moderate gearing, interest coverage ratio and average debt protection measures. Total debt of Rs.11.00 crore consist of long term debt of Rs.0.93 crore, unsecured loan of Rs.1.07 crore and short term debt (cash credit facility) of Rs.9.00 crore as on 31 March, 2017. Debt to equity stood at 1.80 times and Interest Coverage Ratio stood at 1.69 times as on 31 March, 2017. Moreover, Net Cash Accruals to Total Debt (NCA/TD) is at 0.07 times in FY2017. Debt Service Coverage Ratio (DSCR) is at 1.23 times in FY2017.

- **Efficient working capital management**

The efficient working capital management is marked by comfortable Gross Current Asset of 155 days in FY2017 and 122 days in FY2016. The inventory days is low at 72 in FY2017 and 52 days in FY2016, while the creditor days are at 12 and debtor days at 46 in FY2017 as compared to 7 days and 62 days in FY2016 respectively.

Weaknesses

- **Modest scale of operations**

The company revenue has decreased to Rs.35.18 crore in FY2017 compared to Rs.39.82 crore in FY2016. The decline in revenue was due to fluctuations in prices of steel, but in volume terms there has been no decline. The company has registered revenues of Rs.56.16 crore for FY2018 (provisional).

- **Exposure to inherent cyclicity in the construction industry and infrastructure sector:**

The company remains exposed to inherent cyclicity in the construction industry and infrastructure sector.

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

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

Analytical Approach:

SMERA has considered the standalone business and financial risk profiles of BKRM to arrive at this rating.

Outlook: Stable

SMERA believes that the outlook on BKRM will continue to be 'Stable' over the medium term from the promoter's vast experience in the steel industry. The outlook may be revised to 'Positive' if BKRM achieves more than envisaged sales and profitability while improving its financial risk profiles. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 35.18 | 39.82 | 43.57 |
| EBITDA | Rs. Cr. | 1.52 | 1.58 | 1.44 |
| PAT | Rs. Cr. | 0.08 | 0.08 | 0.28 |
| EBITDA Margin | (%) | 4.32 | 3.96 | 3.31 |
| PAT Margin | (%) | 0.22 | 0.20 | 0.64 |
| ROCE | (%) | 8.32 | 8.32 | 8.49 |
| Total Debt/Tangible Net Worth | Times | 1.80 | 1.72 | 1.55 |
| PBDIT/Interest | Times | 1.69 | 1.51 | 1.46 |
| Total Debt/PBDIT | Times | 5.19 | 5.87 | 5.36 |
| Gross Current Assets (Days) | Days | 155 | 122 | 96 |

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)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|-------------|---------------------------------|-------------|--------------------|--------------------|
| 09-May-2017 | Cash Credit | Long Term | 10.00 | SMERA BB- / Stable |
| | Term Loan | 30-Apr-2019 | 0.91 | SMERA BB- / Stable |

***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 | 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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