

Press Release
Shree Balaji Pigments Private Limited (SBPPL)

08 September, 2017


Rating Assigned

Total Bank Facilities Rated*	Rs.25.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)

**Refer Annexure for details*
Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs.25.00 crore bank facilities of Shree Balaji Pigments Private Limited (SBPPL). The outlook is '**Stable**'.

SBPPL, incorporated in 2007 by Mr. Sunil Kr. Agarwal and Mr. Khem Chand Jain is engaged in the manufacturing of TMT Bars at Jammu. The company procures its raw material - ingots from the domestic market and sells around 90 per cent of its products in Jammu & Kashmir only. The installed capacity stands at 1,05,000 metric tonnes per annum.

List of key rating drivers and their detailed description:
Strengths:

Experienced management and long track record of operations: SBPPL was incorporated in 2007 by Mr. Sunil Kr. Agarwal and Mr. Khem Chand Jain. The promoters have over a decade of experience in the iron and steel industry. The business is well supported by second line of management.

Moderate financial risk profile: The moderate financial risk profile is marked by networth of Rs.21.75 crore as on 31 March, 2017 (Provisional) compared to Rs.21.74 crore in the previous year. The net worth includes unsecured loans of Rs.5.97 crore from promoters which are subordinated to bank debt. Hence, SMERA has treated them as quasi equity. Further, the gearing has been moderate at 1.10 times as on 31 March, 2017 (Provisional) compared to 1.23 times in the previous year. The moderate gearing is on account of net worth of Rs.21.75 crore as against total debt of Rs.23.83 crore in FY2016-17. The total debt includes term loan of Rs. 4.13 crore and cash credit of ~ Rs 19.70 crore. The interest coverage of the company stood at a moderate 1.51 times in FY2017 (Provisional) as against 1.75 times in the previous year. The debt service coverage ratio (DSCR) stood low at 0.83 times in FY2017 (Provisional) compared to 1.26 times in FY2016. The net cash accruals by total debt (NCA/TD) stood at 0.08 times in FY2017 (Provisional) and 0.11 times in FY2016.

SMERA expects the company to continue its moderate risk profile in the medium term. Further, the company's ability to improve its net worth along with debt protection metrics will be key credit monitorables.

Weaknesses:

Fluctuating operating profitability: The operating profitability has shown fluctuating trends in the past due to volatility in raw material prices mainly metal and steel. The PAT margins are low and stood at 0.05 percent in FY2017 (Provisional) against 0.37 percent in FY2016.

Vulnerability of margins to fluctuations in the prices of metal and steel: The profitability is susceptible to volatility in raw material prices of metal and steel products. The company operates in a highly fragmented and competitive industry with a large number of organised and unorganised players.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will maintain a stable outlook on the back of the management's extensive experience. The outlook may be revised to 'Positive' in case of substantial increase in profitability margins supported by healthy revenue growth or improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure.

About the Rated Entity – Key Financials

For FY2017 (Provisional), SBPPL reported PAT of Rs.0.02 crore on operating income of Rs.39.62 crore compared to PAT of Rs.0.33 crore on operating income of Rs.88.88 crore for FY2016. The net worth stood at Rs.21.75 crore in FY2017 (Provisional) as against Rs.21.74 crore in the previous year. The net worth includes quasi equity of Rs.5.97 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2018			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	20.75	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Proposed Bank Facility	LT	4.25	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-

*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	N.A	N.A	N.A	20.75	SMERA BB-/Stable (Assigned)
Proposed Bank Facility	N.A	N.A	N.A	4.25	SMERA BB-/Stable (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Operations, SMERA Bond Ratings Tel: 02267141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Mrinal Mahip, Executive Analyst, Rating Operations Tel: 01149731304 Email: mrinal.mahip@smera.in	

ABOUT SMERA

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