

Press Release

BANGALORE METALLURGICALS PRIVATE LIMITED

October 31, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 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. 11.00 crore bank facilities of BANGALORE METALLURGICALS PRIVATE LIMITED. The outlook is '**Stable**'.

Bangalore Metallurgicals Private Limited (BMPL) was established in 1960 and changed to private limited in 1987. The company is engaged in the manufacture of cast iron and ductile iron and has installed capacity of 600 tons/month. The company is led by Mr. Ramaiah Raghavendra and his two sons, Mr. Rakshith Raghavendra and Mr. Rajith Raghavendra. The manufacturing facility is located at Hosakote, Bangalore.

Key Rating Drivers

Strengths

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

The company was established in 1960. The management possesses extensive experience in the industry.

- **Average financial riskprofile**

The financial risk profile is average marked by moderate net worth of Rs.5.13 crore in FY2017 (Provisional) as against Rs.4.83 crore in FY2016. The net worth increased mainly on account of retention of current year profit. The gearing of the company stood at a high of 2.04 times in FY2017 (Provisional) as against 2.02 times in FY2016, mainly due to increase in short term debt. The interest coverage ratio (ICR) stood comfortable at 2.12 times (Provisional), while the debt service coverage ratio (DSCR) stood at 1.41 in FY2017 (Provisional).

Weaknesses

- **Working capital intensiveoperations**

The operations are working capital intensive marked by high gross current assets (GCA) days of 210 in FY2017 (Provisional) as against 199 in FY2016. This necessitates large working capital requirements as major funds get blocked in inventory and debtors. The inventory and debtors stood at 74 days and 125 days in FY2017 (Provisional) respectively as against 68 days and 116 days in FY2016.

- **Susceptibility of margins to volatility in raw material prices**

The margins of the company are susceptible to volatility in iron prices. Significant changes in iron prices due to import pressure and over supply would have an impact on the margins. Slowdown in demand and threat of cheaper imports are other factors that lead to piling up of inventory or companies operating at low margins.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone financial and business risk profile of BMPL.

Outlook: Stable

SMERA believes that BMPL will maintain a stable outlook over the medium term owing to its long operational track record, experienced management and established market position. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements increasing pressure on margins.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.0.41 crore on operating income of Rs.24.71 crore, compared with PAT of Rs.0.43 crore on operating income of Rs. 25.43 crore in FY2015-16.

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

ICRA Ratings in its press release dated October 09, 2017 inter alia has stated the following:

As part of its process and in accordance with its rating agreement with Maithri Developers, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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	8.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB- / Stable

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ABOUT SMERA

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