

Press Release

Bangalore Metallurgicals Private Limited

January 08, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs.11.00 crore bank facilities of Bangalore Metallurgicals Private Limited (BMPL).

BMPL was established in 1960 as a partnership firm and later, 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 per 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).

Analytical Approach:

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

Key Rating Drivers:

Strengths

- Experienced management and long track record of operation**

The directors, Mr. Ramaiah Raghavendra, Mrs. Suguna Ramaiah, Mr. Rakshith Raghavendra, Mr. Rajith Raghavendra and Mr. Muniswamappa Chandrasekhar Sandhya have experience of more than two decades in iron and steel industry. Their extensive experience has helped them establish comfortable relationships with their key suppliers and customers. BMPL has a long track record of operations with its existence since 1960. Acuité believes that the company will be continued to be benefited by their experienced management and long track record of operations.

- Average financial risk profile**

The average financial risk profile of the company is marked by low net worth, moderate gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.5.87 crore in FY2018 as compared to Rs.5.59 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood moderate at 1.49 times in FY2018 as compared to 1.87 times in FY2017. The interest coverage ratio (ICR) of the company stood healthy at 2.23 times in FY2018 as compared to 2.64 times in FY2017. The debt service coverage ratio (DSCR) of the company stood moderate at 1.41 times in FY2018 as compared to 1.66 times in FY2017. The net cash accruals against the total debt (NCA/TD) stood at 0.13 times in FY2018 compared to 0.15 times in FY2017.

Weaknesses

- Moderate scale of operation**

Though the company has started operation since 1987, the revenue of the company stood moderate at Rs.29.92 crore in FY2018 as compared to Rs.24.99 crore in FY2017. Acuité believes the ability of the company to increase scale of operations will be a key monitorable.

- Working capital intensive nature of operation**

BMPL's nature of operations is working capital intensive marked by high Gross Current Assets (GCA) of 221 days in FY2018 and 236 days in FY2017. Such high GCA days are mainly due to high debtor days of 131 days in FY2018 and FY2017 respectively as the company is into iron and steel industry. Such high debtors days are due to inherent cyclical nature of iron and steel industry. The inventory days stood at 63 days in FY2018 and 75 days in FY2017.

- 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 led to piling up of inventory or companies operating at low margins.

Outlook: Stable

Acuité 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	29.92	24.99	25.43
EBITDA	Rs. Cr.	2.62	2.68	2.64
PAT	Rs. Cr.	0.25	0.72	0.43
EBITDA Margin	(%)	8.75	10.72	10.38
PAT Margin	(%)	0.83	2.88	1.68
ROCE	(%)	11.31	13.69	11.88
Total Debt/Tangible Net Worth	Times	1.49	1.87	2.02
PBDIT/Interest	Times	2.23	2.64	2.45
Total Debt/PBDIT	Times	3.29	3.44	3.59
Gross Current Assets (Days)	Days	221	236	199

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>
- Manufacturing Entities -<https://www.acuite.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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. Crore)	Ratings/Outlook
31-Oct-2017	Cash Credit	Long Term	8.00	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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