

Press Release

BRS Enterprises and Trading Limited

25 November, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned short-term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 30.00 crore bank facility of BRS Enterprises and Trading Limited (BRSETL).

BRS Enterprises and Trading Limited (BRSETL) is a Hyderabad-based company incorporated in 2011 by Mr. Balarao Krishnaiah and Mr. Ramakrishna Gadde. The company is engaged in the trading of steel and steel products i.e. TMT Bars and Billets. The operations commenced in 2014. The company procures TMT bars from re-rolling mills and supplies to wholesale traders in and around Hyderabad, Telangana.

List of key rating drivers and their detailed description

Strengths:

Experienced Promoter

The company was promoted by Mr. Mandava Balarama Krishnaiah, a qualified Chartered Accountant who has over three decades of experience in the industry. He has served as independent director in various organisations and has extensive experience in several industries including pesticides, pharmaceutical, electronic security solutions, oil & gas exploration to name a few. The extensive experience of the promoter has helped establish and maintain relations with suppliers and customers.

Weaknesses:

Limited operational track record

BRSETL was incorporated in 2011 and commenced operations from 2014. Hence, the company has limited track record of operations.

Significant decline in revenue

The company has reported significant decline in revenue of around 64 percent in FY2017 (Provisional) over FY2016. The company reported operating income of Rs. 234.12 crore for FY2017(Provisional) as against Rs.638.95 crore for FY2016. The decline in revenue is mainly on account of the change in the company's policy in FY2017 of focusing on increasing margins rather than volumes. Further, the company has reported operating income of Rs. 102.00 crore from April, 2017 to August, 2017.

Average financial risk profile and stretched liquidity position

The financial risk profile of the company is average marked by inadequate coverage indicators as interest coverage ratio (ICR) stood at 1.36 times for FY2017 (Provisional) as against 1.23 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.01 times for FY2017

(Provisional) as against 1.23 times in the previous year. The gearing stood at 1.42 times as on 31 March, 2017 as against 0.48 times in the previous year. The tangible networth of the company stood at Rs. 27.44 crore as on 31 March, 2017 as against Rs. 26.99 crore in the previous year. Further, the liquidity position of the company is stretched as reflected from the stretched gross current asset (GCA) days of 135 for FY2017 as against 104 days in the previous year. The cash credit account is also fully utilised during the last six months ended 31 August, 2017.

Low profitability and susceptibility to volatility in raw material prices

The company reported operating margin of 0.73 percent for FY2017 (Provisional) as against 0.44 percent in FY2016. Further, BRSETL reported Profit after tax (PAT) margin of 0.13 percent for FY2017 (Provisional) as against 0.06 percent in the previous year. The low margins are on account of trading nature of operations. Further, the company purchased TMT bars and billets, the prices of which are highly volatile. Hence, the margins are susceptibility to volatility in raw material prices on account of its inability to pass on the increase in the prices to customers. However, the risk is mitigated to an extent as the procurement is done only when the company receives orders.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the firm for arriving at the rating.

About the Rated Entity –Key Financials

For FY2016-17 (Provisional), BRSETL reported profit after tax (PAT) of Rs. 0.30 crore on operating income of Rs.234.12 crore compared with PAT of Rs. 0.38 crore on operating income of Rs. 638.95 crore for FY2015-16. The net worth stood at Rs. 27.44 crore as on 31 March, 2017 (Provisional) compared with Rs. 26.99 crore as on 31 March, 2016.

Applicable Criteria

Trading Entities –<https://www.smera.in/criteria-trading.htm>

Default Recognition - <https://www.smera.in/criteria-default.htm>

Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

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

Any other information: Not Applicable

Rating History for the last three years:

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Letter of Credit	N.A	N.A	N.A.	30.00 [^]	SMERA A4 (Assigned)

[^]Includes sublimit of cash credit to the extent of Rs. 30.00 crore.

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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