

Press Release

Bansal Iron and Steel Traders

15 December, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 crore
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 double B**) on the Rs.20.00 crore bank facilities of Bansal Iron and Steel Traders (BIST). The outlook is '**Stable**'.

Bansal Iron and Steel Traders (BIST) was established as a proprietorship concern by Mr. Sunil Kumar Aggarwal in 1992. The firm is engaged in the trading of iron, steel and aluminium scrap. It procures iron and steel scrap from large auto/steel manufacturers in the National Capital Region (NCR), Delhi and sells the same to foundry and casting companies. The firm imports aluminium scrap from Europe, Dubai and USA and supplies it to auto component manufacturing companies.

Key rating drivers

Strengths

Experienced promoter and long track record of operations

BIST was established in 1992. The proprietor, Mr. Sunil Aggarwal has experience of more than two decades in steel and aluminum trading and manufacturing of aluminium. The long track record of operations coupled with experienced management has helped the firm establish healthy relations with customers.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by Gross Current Asset (GCA) days of 135 as on 31 March, 2017 as against 87 days in the previous year. The surge could be attributable to increase in inventory days to 38 in FY2017 as against 13 days in the previous year. Inventory days increased due to slowdown in customer orders. Further, the debtor days increased to 76 in FY2017 as against 55 in the previous year.

Average financial risk profile

The firm's net worth stood at Rs.15.38 crore as on 31 March, 2017 as against Rs.14.63 crore in the previous year. The adjusted gearing stood at 1.14x times as on 31 March 2017 as against 1.27x times in the previous year. The Interest Coverage Ratio (ICR) stood at 1.32x times for

FY2017 as against 1.53x times in the previous year. The deterioration is due to increase in the cost of borrowing. The Total Outside Liability/Tangible Net Worth (TOL/TNW) stood at 2.64x times as on 31 March, 2017 as against 2.80x times in the previous year.

Susceptibility to metal price fluctuations

The firm trades in iron, steel and aluminium scrap. The cost of metal scrap procured as a proportion to total revenue is about 95.34 percent. Iron and steel scrap are procured from press and machine shops of large auto manufacturers, while aluminum is imported from Europe, USA and Dubai. The prices of these global commodities are volatile. Further, the firm has to maintain adequate inventory in order to cater to the immediate demands of its customers. Hence, adverse fluctuations in metal prices can directly affect revenue.

Competitive and fragmented nature of business

The firm operates in a highly competitive and fragmented industry dominated by organised and unorganised players, limiting the bargaining power of the firm.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of BIST.

Outlook – Stable

SMERA believes that BIST will maintain a stable outlook over the medium term on the back of its established operational track record and experienced management. The outlook may be revised to 'Positive' if the firm registers improvement in profit margins or financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements or deterioration in the financial risk profile.

About the Rated Entity – Key Financials

For FY2017, the firm reported profit after tax (PAT) of Rs.1.01 crore on operating income of Rs.127.03 crore, compared to PAT of Rs.1.07 crore on operating income of Rs.193.09 crore in FY2016.

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

None

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. Crore)	Ratings/Outlook
Inland-Import LC/Buyers Credit	Not Applicable	Not Applicable	Not Applicable	20.00^	SMERA BB/Stable (Assigned)

^Rs. 20.00 crore of Inland-Import LC is fully interchangeable with Buyer's Credit and consists of sublimit of Cash Credit facility to the tune of Rs.10.00 crore.

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ABOUT SMERA

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