

Press Release

Bansal Iron and Steel Traders

August 8, 2018

Rating Assigned and Reaffirmed



Total Bank Facilities Rated*	Rs.24.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned and reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double BB**) on the Rs.24.00 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 the year 1992. The firm is involved in the trading of iron, steel and aluminum scraps. It procures iron and steel scrap from various large auto manufactures/steel manufacturers in the National Capital Region (NCR) and sells the same to foundry and casting companies. The firm imports aluminum scrap from Europe, Dubai and United States, and supplies it to auto ancillaries.

Key Rating Drivers

Strengths

- **Experienced promoter and long track record of operations**

Bansal Iron and Steel Traders, a Delhi based proprietorship firm was established in the year 1992. The proprietor of the firm Mr. Sunil Aggarwal has an experience of more than two decades in steel and aluminum trading. Hence long track record of operations supported by experienced management helped the firm to establish healthy relationships with its customers.

- **Average financial riskprofile**

The firm is having comfortable risk profile marked by moderate net worth, comfortable gearing and modest debt protection measures. The firm is having low net worth of Rs.15.66 crore as on 31st March 2018 (Prov) as against Rs.15.38 crore in the previous year. The gearing stood at 0.92 times as on 31st March 2018 as against 1.14 times in the previous year. The total debt of Rs.14.41crore consists of short term borrowings of Rs.9.41 crores and unsecured loans from promoters of Rs.5.00 crores. Further, Acuite has considered Rs.7.55 crore as quasi equity as the same is subordinated to bank. TOL/TNW stood at 2.55 times as on 31st March 2018 (Prov) as against 2.64 times in the previous year. The interest coverage ratio stood at 1.41 times for FY17-18 (Prov) as against 1.32 times in the previous year. The NCA/TD ratio stood at 0.08 times in FY18 (Prov) as against 0.07 times in the previous year.

Weaknesses

- **Working capital intensive nature of operations**

The operations of the firm are working capital intensive in nature marked by gross current asset (GCA) days of 149 days as on 31st March 2018 (Prov) as against 135 days in the previous year. The reason for the same is due increase in other current asset to Rs.10.62 crore as on 31st March 2018 (Prov) as against Rs.7.00 crore in the previous year. The debtor days stood at 76 days as on 31st March 2018 (Prov).

- **Susceptibility to fluctuations in raw material prices**

The firm is engaged in trading of iron, steel and aluminum scrap. The cost of raw materials to total revenue is about ~96 percent. The iron and steel scrap are procured from press and machine shops of various large auto manufacturers, while aluminum is being imported from Europe, USA and Dubai. The prices of these global commodities are volatile and are largely driven by the demand and supply of the global as well as domestic markets. Further, the firm has to maintain adequate inventory in order to supply immediate demands from its customers. Hence any adverse effect on the prices of raw materials will directly affect the revenue booking of the firm.

• Competitive and fragmented nature of business

The firm is operating in highly competitive and fragmented industry which is dominated by many organized and unorganized players which limits the bargaining power of the firm.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the BIST to arrive at this rating.

Outlook: Stable

Acuite believes that BIST will maintain a stable outlook over the medium term backed by its established operational track record and experienced management. The outlook may be revised to 'Positive' if the firm registers improvement in 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

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	125.25	127.03	193.09
EBITDA	Rs. Cr.	4.03	4.08	3.45
PAT	Rs. Cr.	1.05	1.01	1.07
EBITDA Margin	(%)	3.21	3.21	1.79
PAT Margin	(%)	0.84	0.79	0.55
ROCE	(%)	12.58	14.11	11.42
Total Debt/Tangible NetWorth	Times	0.92	1.14	1.27
PBDIT/Interest	Times	1.41	1.32	1.53
Total Debt/PBDIT	Times	3.51	3.64	5.10
Gross Current Assets (Days)	Days	149	135	87

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>
- Trading Entities - <https://www.acuite.in/criteria-trading.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)

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	20.00	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
Inland – Import LC/Buyers credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB/ Stable (Reaffirmed)
Inland – Import LC/Buyers credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB/ Stable (Assigned)

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About Acuité Ratings & Research:

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