

## Press Release

### BHAWANI CASTINGS PRIVATE LIMITED

December 21, 2017

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 17.00 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-** (read as SMERA BB minus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 17.00 crore bank facilities of BHAWANI CASTINGS PRIVATE LIMITED. The outlook is '**Stable**'.

Punjab-based Bhawani Castings Private Limited (BCPL) was incorporated in 1992 by Mr. B. P. Singh and Ms. Tajinder Kaur. In 2011, the management was taken over by Mr. Ashok Kumar Aggarwal, Mr. Amrish Gupta and Mr. Gaurav Gupta. BCPL manufactures MS billets and TMT bars with a current capacity of 72,000 tons per month.

Jay Aay Alloys Private Limited (JAAPL) based out of Himachal Pradesh was incorporated in the year 2002 by Mr. Ashok Kumar Aggarwal, Mr. Amrish Gupta and Mr. Gaurav Gupta. The company is engaged in manufacturing ERW pipes. The current capacity is 30,000 tons per month.

SMERA has taken a consolidated view of the business and financial risk profiles of BCPL and JAAPL hereinafter referred to as Bhawani Castings Group (BCG), due to the common promoters and operational & financial linkages among the two entities.

#### Key Rating Drivers

##### Strengths

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

The Director, Mr. Ashok Kumar Aggarwal has more than a decade of relevant experience which has helped the company establish long term relations with customers and suppliers.

- **Moderate working capital management**

BCG's working capital cycle is moderate, marked by Gross Current Assets (GCA) of 109 days in FY2017, same as in the preceding year. The GCA days are mainly dominated by debtors of 49 days in FY2017 compared to 38 days in FY2016. The inventory days stood at 40 in FY2017 as compared to 37 in FY2016.

##### Weaknesses

- **Weak financial risk profile**

BCG has a modest financial risk profile marked by moderate net worth, high gearing and moderate debt protection measures. The tangible net worth stood at Rs. 13.98 crore as on 31 March, 2017 as against Rs. 12.85 crore in the previous year. The gearing stood at 2.18 times as on 31 March, 2017 as against 2.56 times in the previous year. The debt of Rs. 30.46 crore mainly comprises of long term debt of Rs. 9.13 crore and working capital limit of Rs. 21.33 crore as on 31 March 2017. The interest coverage ratio (ICR) stood at 1.81 times while the debt service coverage ratio (DSCR) stood at 1.91 times for FY2017. The net current asset to total debt (NCA/TD) stood at 0.10 times as on 31 March, 2017.

• **Business susceptible to cyclical nature of steel industry and volatility in raw material prices**

The prices of the major raw materials consumed by the company are highly volatile and bear impact on margins. Further, sales and profit margins are exposed to the inherent cyclical nature in the steel industry.

### Analytical Approach

SMERA has considered the consolidated business and financial risk profiles of Bhawani Castings Private Limited (BCPL) and Jay Aay Alloys Private Limited (JAAPL).

### Outlook: Stable

SMERA believes that BCG will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of significant and sustainable improvement in the group's financial risk profile and working capital management. Conversely, the outlook may be revised to 'Negative' if the group's revenue declines significantly or if its financial risk profile weakens due to elongation in the working capital cycle or large debt funded capex.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	143.17	109.94	121.72
EBITDA	Rs. Cr.	5.53	2.71	4.13
PAT	Rs. Cr.	1.13	(1.97)	0.40
EBITDA Margin	(%)	3.86	2.46	3.39
PAT Margin	(%)	0.79	(1.79)	0.33
ROCE	(%)	9.46	3.84	18.25
Total Debt/Tangible Net Worth	Times	2.18	2.56	1.62
PBDIT/Interest	Times	1.81	1.06	1.71
Total Debt/PBDIT	Times	5.51	12.14	5.81
Gross Current Assets (Days)	Days	109	109	106

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

None

### Any other information

None

### Applicable Criteria

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

### Rating History (Upto last three years)

Not Applicable

### \*Annexure - Details of instruments rated

SMERA Ratings Limited

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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	5.75	SMERA BB-/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.91	SMERA BB-/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.96	SMERA BB-/ Stable
Letter of Credit**	Not Applicable	Not Applicable	Not Applicable	3.38	SMERA A4

\*WCDL (sub-limit of Cash Credit limit-Rs.4.50 crore) \*\*Buyers Credit (sub limit of Letter of Credit – Rs.4.25 crore)

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## ABOUT SMERA

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