

Press Release

B C MOHANTY AND SONS PRIVATE LIMITED

08 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (**read as SMERA BBB**) on the Rs. 15.00 crore bank facilities of B C MOHANTY AND SONS PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in 1976 the company is engaged in chromite (chrome ore) mining. The company's chromite mine is located at Kamarda in the Jajpur mining belt of Odisha. The mining lease for the chromite mine was initially secured in 1968 by erstwhile B. C. Mohanty & Sons a proprietorship firm promoted by Mr. B. C. Mohanty. In 1976 the proprietorship firm was converted into private limited company and was named as B C Mohanty And Sons Private Limited (BCMSPL).

Key Rating Drivers

Strengths

• Experienced Management

BCMSPL is a family owned company. The founder Late Sri Bhagabat Charan Mohanty started the mining business since 1968. The promoters and key executive of the company are well experienced in mining and manufacturing Ferro Chrome.

• Relationship with reputed companies

BCMSPL has an established relationship with the end users who are in stainless steel manufacturing. To name a few they include BRG Iron & Steel Co.Pvt.Ltd FACOR Alloys Limited Shyam Ferro Alloys Ltd Ferro Alloys Corporation Limited Indian Metals & Ferro Alloys Ltd VISA Steel Limited Jindal Stainless Limited Surya Alloy Industries Ltd Tirumala Balaji Alloys Pvt.Ltd amongst others.

Weaknesses

• Cyclical demand

Demand for chromium is primarily driven by alloy steel which consumes 94% of the chrome ore (mainly used for manufacturing stainless steel). At present the Ferro chrome industry is facing problems due to high input prices of Chrome Ore Coal Coke and high energy tariff. Ferro Chrome being intermediate products their fortune is linked to the state of the Steel industry. However globally stainless steel industry has been showing an upward trend which implies an increase in Ferro Chrome.

• Expansion & Regulatory Risk

BCMSPL has undertaken an expansion scheme for Ferro Chrome Manufacturing. By virtue of which the total annual capacity will increase from 7200MT to 21200MT. The cost of expansion of the unit is approximately Rs.26.00 crore. The long term bank funding sought is Rs.5.00 Crore and the balance funding shall be brought in by the promoters and through internal cash accruals. The company had already taken initiatives in the past by setting up a ferro chrome unit of 5MVA capacity; but the facility was suspended due to erratic power supply. Currently in addition to restarting this unit the company is in view of setting up a new furnace of 9MVA capacity. This expansion risk would remain exposed to stabilization as per expected operating parameters. Also the mining activities remain exposed to regulatory guidelines in the mining sector in the country. The company is therefore exposed to the various risks associated with setting up a

project and its profitable operations thereafter.

Analytical Approach

SMERA has considered the standalone financials of BC Mohanty & Sons Private Limited.

Outlook: Stable

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	79.62	10.50	28.00
EBITDA	Rs. Cr.	40.70	-3.11	7.05
PAT	Rs. Cr.	26.91	-2.68	4.51
EBITDA Margin (%)	(%)	51.11	-29.64	25.19
PAT Margin (%)	(%)	33.79	-25.50	16.09
ROCE (%)	(%)	40.35	-2.67	12.60
Total Debt/Tangible Net Worth	Times	0.03	0.12	0.17
PBDIT/Interest	Times	77.80	-1.02	46.28
Total Debt/PBDIT	Times	0.07	-26.52	1.31
Gross Current Assets (Days)	Days	120	664	293

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BBB / Stable

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