



SMERA RATINGS LIMITED

Brahampuri Steels Limited (BSL)

**Rating
Rationale****January 02, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.72	SMERA B-/Stable (Assigned)
Cash Credit	7.50	SMERA B-/Stable (Assigned)
Standby Line of Credit (Working Capital)	0.60	SMERA A4 (Assigned)
Bank Guarantee	5.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' and a short-term rating of '**SMERA A4**' to the Rs.14.82 crore bank facilities of Brahampuri Steels Limited (BSL). The outlook is '**Stable**'. The ratings are primarily constrained by the company's susceptibility to raw material price volatility and intense competition prevalent in the steel industry. The ratings are also constrained by the company's weak financial risk profile marked by losses in the past two years, moderate leverage and stressed liquidity position. However, the ratings are supported by the company's long track record of operations and experienced management.

BSL, incorporated in 1994, is a Jaipur-based company engaged in manufacturing of mild steel (MS) rolled and galvanized angles, channels and structures used in the heavy engineering and power transmission industry. BSL is exposed to raw material price volatility and intense competition prevalent in the steel industry. The company reported net loss of Rs.0.01 crore in FY2012-13 (refers to financial year, April 01 to March 31), as compared with net loss of Rs.0.09 crore in FY2011-12 on account of increase in raw material cost amidst overall slowdown in the steel industry and high depreciation charge. BSL's leverage is high at 4.65 times (without considering revaluation reserves as part of net worth) as on March 31, 2013. The company has a stretched liquidity position with an extended working capital cycle of 101 days in FY2012-13. BSL's average utilisation of cash credit limit is high at 98 per cent during March 2013 to September 2013. The company reported revenues of Rs.25.03 crore (provisional) during April 2013 to September 2013. BSL has pending orders worth Rs.11 crore (as on October 31, 2013), which are likely to be executed by March 2014.

BSL benefits from its experienced management. Mr. Mahendra Gupta, Director of BSL, is a mechanical engineer with around 30 years of experience (derived through associate entities) in the steel industry.

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Rationale**

Outlook – Stable

SMERA believes the outlook on BSL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Negative' in case of further deterioration in the company's profitability. Conversely, the outlook may be revised to 'Positive' in case the company demonstrates strong growth in revenues while registering healthy profit margins and maintaining a comfortable capital structure.

About the company

BSL, incorporated in 1994, is a Jaipur-based company engaged in manufacturing of mild steel (MS) bars, angles, sections, flats and fixtures. BSL has two manufacturing units in Jaipur (Rajasthan), with a combined installed capacity of 12,000 MTPA.

For FY2012–13, BSL reported net loss of Rs.0.01 crore on operating income of Rs.41.41 crore, as compared with net loss of Rs.0.09 crore on operating income of Rs.38.30 crore for FY2011–13. The company's net worth stood at Rs.10.37 crore as on March 31, 2013, as compared with Rs.2.38 crore a year earlier.

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