

February 10, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.74 (reduced from 1.72)	SMERA B/Stable (Upgraded from SMERA B-/Stable)
Cash Credit	8.00 (enhanced from 7.50)	SMERA B/Stable (Upgraded from SMERA B-/Stable)
Standby Line of Credit (working capital)	1.00 (enhanced from 0.60)	SMERA A4 (Reaffirmed)
Bank Guarantee	7.00 (enhanced from 5.00)	SMERA A4 (Reaffirmed)

SMERA has upgraded the long-term rating on the Rs.8.74 crore bank facilities of Brahampuri Steels Limited (BSL) to '**SMERA B**' (read as SMERA single B) from 'SMERA B-' (read as SMERA single B minus). The short-term rating is reaffirmed at '**SMERA A4**' (read as SMERA A four). The outlook is '**Stable**'. The upgrade reflects improvement in the company's operating profit margin and financial risk profile. The ratings continue to draw comfort from the company's established track record of operations and experienced management. However, the ratings remain constrained by the susceptibility of the company's profit margins to volatility in raw material prices. The ratings are also constrained by the company's exposure to intense competition in the steel industry.

Update

BSL's operating profit margin has increased from 5.43 per cent in FY2012-13 (refers to financial year, April 01 to March 31) to 6.45 per cent in FY2013-14 on account of decline in material cost. The company reported net profit of Rs.0.45 crore in FY2013-14, as compared with net loss of Rs.0.01 crore in the previous year. BSL's interest coverage ratio increased from 1.13 times in FY2012-13 to 1.44 times in FY2013-14. The company's leverage (debt-to-tangible net worth ratio) is high at 4.83 times as on March 31, 2014.

BSL benefits from its experienced management. Mr. Mahendra Gupta, director of BSL, is a mechanical engineer with around 30 years of experience in the steel industry.

BSL's profit margins are susceptible to volatility in raw material prices. The company faces intense competition from several players in the steel industry.

Outlook: Stable

SMERA believes BSL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in

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financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the company's financial profile.

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 total installed capacity of 12,000 metric tonnes per annum (MTPA).

For FY2013–14, BSL reported profit after tax (PAT) of Rs.0.45 crore on operating income of Rs.43.19 crore, as compared with net loss of Rs.0.01 crore on operating income of Rs.40.41 crore in FY2012–13. The firm registered revenue of Rs.40.00 crore (provisional) during April 01, 2014 to January 24, 2014. BSL's net worth stood at Rs.2.88 crore as on March 31, 2014, as compared with Rs.2.43 crore a year earlier.

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