

March 28, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	8.00	SMERA B/Stable (Reaffirmed)
Standby Line of Credit (working capital)	1.00	SMERA A4 (Reaffirmed)
Letter of Credit/Bank Guarantee	7.00	SMERA A4 (Reaffirmed)
Long Term (Proposed)	0.74	SMERA B/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.16.74 crore bank facilities of Brahampuri Steels Limited (BSL). The outlook is '**Stable**'. The ratings continue to be constrained by the susceptibility of the profit margins to volatility in raw material prices, high gearing and stretched liquidity position. The ratings are also constrained by the intense competition in the steel industry. However, the ratings continue to draw comfort from the established track record of operations and experienced management.

Update

BSL's moderate financial risk profile is marked by moderate scale of operations, revenue of Rs.44.17 crore and high gearing (debt-to-equity) of 4.64 times as on March 31, 2015. Moreover, the interest coverage ratio is low at 1.44 times in FY2014-15. The PAT margin has improved to 1.11 per cent in FY2014-15 from 1.01 per cent in FY2013-14. The stretched liquidity position of the company is evidenced by extended working capital cycle of 105 days in FY2014-15. BSL operates in an intensely competitive segment of the steel industry. The total debt of Rs.15.69 crore includes unsecured loans of Rs.1.77 crore as on March 31, 2015.

Outlook: Stable

SMERA believes BSL will maintain a stable business risk profile over the medium term owing to its experienced management and established relations with customers. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues, profitability and cash accruals while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Rating Sensitivity Factors

- Improvement in revenue and profitability
- Efficient working capital management

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SMERA RATINGS LIMITED

Brahampuri Steels Limited (BSL)

Rating Rationale

About the Company

The Rajasthan-based BSL, was established in 1994 by Mr Gupta and family. The company is engaged in the manufacture of mild steel (MS) bars, angles, sections among others at its two manufacturing units in Jaipur, Rajasthan. The combined installed capacity of the units stand at 11,000 MTPA.

For FY2014-15, BSL reported net profit of Rs.0.49 crore on operating income of Rs.44.17 crore, as compared with net profit of Rs.0.45 crore on operating income of Rs.44.59 crore for FY2013-14. The company's net worth stood at Rs.3.38 crore as on March 31, 2015, as compared with Rs.2.87 crore a year earlier.

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