



SMERA RATINGS LIMITED

Balajee Structural (India) Limited (BSIL)**Rating
Rationale****December 27, 2013**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	20.00	SMERA BB+/ Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.20.00 crore bank facilities of Balajee Structural (India) Limited (BSIL). The outlook is '**Stable**'. The rating is constrained by the company's low profit margins, which are susceptible to intense competition and raw material price volatility. The rating is further constrained by the company's working capital-intensive operations. However, the rating is supported by the company's experienced management and moderate debt protection metrics.

BSIL, incorporated in 2000, is a Raipur-based company engaged in manufacturing of mild steel (MS) channels, MS angles and transmission tower sections. The company reported operating income of Rs.182.90 crore in FY2012-13 (refers to financial year, April 01 to March 31), as compared with operating income of Rs.177.80 crore in FY2011-12. BSIL's profit margins are susceptible to the intense competition prevalent in the Indian steel industry. The company's net profit margin is low at 0.20 per cent in FY2012-13. BSIL's profit margins are also susceptible to volatility in prices of MS ingots and sponge iron — the key raw materials for the company.

BSIL's operations are working capital-intensive. The company has high gross current assets (GCA) of ~101 days as on March 31, 2013 due to inventory holding period of 30-40 days and collection period of 30-40 days over the past three years. However, the company's average bank limit utilisation has remained comfortable at about 45-50 per cent over the 12 months ended September 30, 2013.

BSIL benefits from its experienced management. Mr. Suresh Agrawal and Mr. Vishnu Agrawal, directors of BSIL, have around two decades of experience in the company's line of business. The company has moderate debt protection metrics with leverage at 1.24 times as on March 31, 2013 and interest coverage ratio of 2.44 times in FY2012-13. Furthermore, BSIL does not have any long-term loans on its books as on November 30, 2013.

Outlook - Stable

BSIL has a stable outlook. SMERA believes the company will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company achieves a sustained improvement in its profit margins while registering healthy revenue growth or in case of improvement in the company's capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues and profit margins or in case of deterioration in the company's capital structure on account of large debt-funded capital expenditure or higher-than-expected working capital requirements.

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Rationale****About the company**

BSIL, incorporated in 2000, is a Raipur-based company promoted by Mr. Suresh Agrawal and Mr. Vishnu Agrawal. BSIL is engaged in manufacturing of MS channels, MS angles and transmission tower sections. The company has a manufacturing unit in Raipur, Chhattisgarh, with an installed capacity of 45,000 metric tonnes per annum (MTPA). BSIL also has backward integration into manufacturing of MS ingots, with a furnace capacity of 25,000 MTPA.

For FY2012-13, BSIL reported PAT of Rs.0.37 crore on operating income of Rs.182.90 crore, as compared with PAT of Rs.0.35 crore on operating income of Rs.177.80 crore for FY2011-12. Further, BSIL reported operating income of Rs.110.04 crore during April 2013 to September 2013, as compared with operating income of Rs.87.72 crore for the corresponding period of the previous year. BSIL's net worth stood at Rs.24.15 crore as on March 31, 2013, as compared with Rs.23.78 crore a year earlier.

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