

Press Release

08 June, 2017

Bharat Bright Bars Private Limited

Rating Downgraded

Total Bank Facilities Rated *	Rs. 9.00 Cr.
Long Term Rating	SMERA B+/ Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 9.00 crore bank facilities of Bharat Bright Bars Private Limited. The outlook is '**Stable**'.

Bharat Bright Bars Private Limited (BBBPL) is engaged in the manufacturing of bright steel bars at Thane, Maharashtra. The installed capacity stands at 6,000 tonnes per annum.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The company, incorporated in 2000 was promoted by Mr. Chandanmal K. Jain and Mr. Bharat K. Jain who have around 26 years of experience in the industry.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by moderate gearing of 2.62 times and comfortable ROCE of 11.43 per cent in FY2016. The ICR has been moderate at 1.36 times. The TOL/TNW stood at a high of 4.65 times in FY2016 as against 3.99 times in FY2015. The DSCR stood at 1.33 times in FY2016 and the same is expected to improve to 1.61 times in FY2017.

Weaknesses

- **Modest scale of operations**

The revenue fell to Rs. 17.17 crore in FY2016-17 from Rs. 23.20 crore in FY2015-16 owing to demonetisation.

- **Working capital intensive operations**

The operations are working capital intensive with working capital cycle of 139 days in FY2016 due to high inventory days of 143. The debtor days stood at 77 and creditor days at 81 in FY2016.

- **Susceptibility of margins to volatility in raw material prices**

Raw material forms a major component of the total cost for the company. The prices of steel wire rods, the basic raw material for bright bars are volatile in nature affecting the profit margins of the company. Further, BBBPL imports around 17 per cent of its purchases making it susceptible to foreign exchange fluctuation risk in the absence of an hedging policy. The company imports steel from China, Taiwan and Germany.

- **Highly competitive and fragmented industry**

The Indian bright bars industry is characterised by numerous small and large players. The company operates in a highly fragmented iron and steel industry wherein the presence of a large number of entities in the unorganised sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Bharat Bright Bars Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that BBBPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues and profit margins while achieving efficient working capital management and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' if profitability comes under pressure, or the company undertakes a larger-than-expected debt-funded capex leading to deterioration in its financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, BBBPL reported profit after tax (PAT) of Rs.0.03 crore on operating income of Rs.23.20 crore as against PAT of Rs.0.07 crore on operating income of Rs.20.53 crore for FY2014-15. The net worth stood at Rs.3.11 crore as on 31 March, 2016 against Rs.3.03 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Mar-2016	Cash Credit	Long Term	INR 6	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 0.5	SMERA A4+
	Proposed Cash Credit	Long Term	INR 2	SMERA BB- / Stable
	Proposed Bank Guarantee	Short Term	INR 0.5	SMERA A4+

***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	7.50	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA B+ / Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Namita Palve Executive Analyst - Rating Operations Tel: 022-67141227 namita.palve@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.