



## Rating Rationale

BIOP Steels & Power Pvt. Ltd.

9 May 2019

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Brickwork Ratings assigns the rating **BWR B+** for the Bank Loan Facilities of ₹. 6.00 Crores of BIOP Steels & Power Pvt. Ltd..

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## Particulars

| Facility       | Amount<br>(₹ Crs) | Tenure                     | Rating*  |
|----------------|-------------------|----------------------------|--|
| Fund Based     | 2.00              | Long Term                  | <b>BWR B+</b><br>(Pronounced BWR Single B Plus)<br>Outlook: Stable |
| Non-fund Based | 4.00              | Short Term                 | <b>BWR A4</b>  |
| <b>Total</b>   | <b>6.00</b>       | <b>Rs. Six Crores Only</b> |  |

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

## Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of BIOP Steels & Power Pvt. Ltd. up to FY18 and information and clarifications provided by the Company.

The rating derives strength from long track record of promoters in the manufacturing industry. However, the rating is constrained by its below average financial risk profile, low profitability and liquidity.

## Description of Key Rating Drivers

### Credit Strengths:

**Long Standing experience of promoters:** The two decade-long experience of the promoters, their strong understanding of local market dynamics, and healthy relationships with customers and suppliers, should continue to support the business risk profile. Long standing presence in the iron and steel industry, helps the promoters anticipate price trends and calibrate purchasing and stocking decisions.

### Credit Risks:

**Below Average Financial Risk Profile:** The financial risk profile is average marked by gearing of -83 times as on 31 March, 2018 as against -32 times in the previous year. The total debt stood at Rs. 72.2 crore which includes short term borrowings of Rs. 2.00 crore. The interest coverage ratio stood at 2.69 times in FY18 as against 1.38 times in FY17. The debt service coverage ratio (DSCR) stood at 1.21 times for FY18 as against 0.64 times in the previous year. The tangible networth stood at Rs. -0.87 crore as on 31 March, 2018 compared to Rs. -2.29 crore in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.09 times in FY2017 as against 0.02 times in FY2017. The Current ratio is 0.57 times in FY18 and 0.37 in FY17.

**Low Profitability:** The Company has a Net profit Margin/ Operating margin of 1.24%/ 10.34% in FY18 and -3.32%/ 7.8% in FY17.

**Liquidity:** BIOP's liquidity profile remains average. The bank limits of Rs 2.00 crores has remained moderately utilized at around 55% over the last 6 months. Furthermore the company is expected to generate cash accruals of around Rs 9-10 crores over the medium term as against repayment obligation of around Rs 17-18 crores during the same period. Although, the liquidity profile draws comfort from need based funding support from the promoters in the form of unsecured loans.

### Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### Rating Outlook: Stable

BWR believes the **BIOP Steels & Power Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Company

BIOP Steels & Power Private Limited (BSPPL) is part of the "Modi Group of Companies" headed by Ms. Manju Modi. BSPPL was incorporated in the year 2010, was promoted by Mr. Santosh Kumar Modi. The company is engaged in manufacturing of sponge iron and generation of thermal power. The plant is located in Bellary district of Karnataka and has its own sponge



iron manufacturing unit in Belagal (near Bellary) with the capacity of 200 MT per day using iron ore and coal as the basic raw materials. The capacity of the power plant is 6 MW and has been in operation since July 2015.

### Company Financial Performance

Operating Revenue has increased by 24% from Rs. 92.81 crores in FY17 to Rs. 115 crores in FY18 owing to higher inventory in 2017 and increased trading activity in FY18. It comprises of Rs. 17 cr from sale of power and Rs. 98.1 cr from sale of sponge iron. The gearing ratio of the company is negative, this is because of net loss in the previous years. The current ratio of 0.57 times in FY18 indicates less liquidity in the company. The company has a comfortable conversion cycle of 10 days. The net profit and the operating profit of the company is 1.24% and 10.34% respectively.

### Key Financial Indicators

| Key Parameters                | Units | 2018   | 2017   |
|-------------------------------|-------|--------|--------|
| <b>Result Type</b>            |       |        |        |
| Operating Revenue             | ₹ Cr  | 115.16 | 92.81  |
| EBITDA                        | ₹ Cr  | 11.90  | 7.27   |
| PAT                           | ₹ Cr  | 1.42   | -3.08  |
| Tangible Net worth            | ₹ Cr  | -0.87  | -2.29  |
| Total Debt/Tangible Net worth | Times | -83.02 | -32.39 |
| Current Ratio                 | Times | 0.57   | 0.37   |

### Rating History for the last three years

| S.No | Instrument     | Current Rating |                |   | Rating History   |      |      |
|------|----------------|----------------|----------------|---|------------------|------|------|
|      |                | Type           | Amount (₹ Crs) | Rating  | 2018             | 2017 | 2016 |
| 1    | Fund Based     | Long Term      | 2.00           | <b>BWR B+</b><br>(Pronounced BWR Single B Plus)<br>Outlook: Stabl | <b>Not Rated</b> |      |      |
| 2    | Non Fund Based | Short Term     | 4.00           | <b>BWR A4</b>   |                  |      |      |
|      | <b>Total</b>   |                | <b>6.00</b>    | <b>Rs. Six Crores Only</b>  |                  |      |      |



**Status of non-cooperation with previous CRA - ICRA B+ (Stable), Issuer Not Cooperating**

**Any other information- Nil**

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.



BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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