

Rating Rationale

Brickwork Ratings reaffirms 'BWR BB' (Stable) rating for Bank Credit Facilities aggregating ₹ 6.59 Cr of Bhavani Steel Pvt Ltd.

Brickwork Ratings (BWR) has reaffirmed the **Rating¹** of BWR BB (Pronounced BWR Double B) with a stable outlook for the long term Bank credit facilities of ₹ 6.59 Cr of Bhavani Steel Pvt Ltd.'s ("BSPL" or "the Company").

Facility	Limits (₹ Cr)	Tenure	Rating ¹
Cash Credit	3.00	Long Term	BWR BB (Pronounced BWR Double B) Outlook- Stable
Term Loan	3.59		
Total	6.59	(INR Six Crores Fifty Nine Lakhs Only)	

The rating reflects promoters experience and expertise in the steel business, long standing relations with reputed customer base, healthy profitability and coverage indicators, and promoter's ability to infuse equity as per business requirement.

The rating is however constrained by company's relatively small scale of operations restricting economies of scale, profitability highly susceptible to volatility in key raw material prices, industry characterized by severe competition from unorganized players in market, working capital intensive and cyclical nature of business and timely availability of bank funding commensurate with increase in turnover going ahead.

Operations

M/s. Bhavani Steel Pvt Ltd. was established as partnership firm in the year 2008 which is now converted as private limited company. The Registered office of the company is situated at Nasik. The company has been incorporated with the main objective of manufacturing M.S. Bars, M.S. Plates, M.S. Angles and M.S. Channels etc. and started its operation from FY2012. The company has setup its Project at Kota, Rajasthan for manufacturing of M.S. Bars, M.S. Plates, M.S. Angles and M.S. Channels, etc. The promoters of the company Mr. Badriprasad Jaiswal and Mr. Rajendra Kumar Verma are already in the line of manufacturing of plastic injection steel re-rolling. Promoters have over 2 decades of experience & understanding of business and have long standing contacts in the market.

Financial performance

The company has recorded sales of Rs. 21.05 crores in FY14 above projections of Rs. 20.84 crores and FY13 revenues of Rs. 11.85 crores, mainly on account of improved volumes backed by capacity addition and increased in demand. Operating margin is maintained at 17%

¹ Please refer to www.brickworkratings.com for definition of the Ratings

reflecting better cost management and higher price realization. Going ahead revenues is expected to increase as per projections backed by increase in demand and better price realization. Operating margins are expected to remain at current levels.

Working capital requirement for company is very high on account of high inventory requirements and low credit period availed by BSPL.

Debt levels mainly consist of working capital limits and term loan taken for setting up manufacturing facility in Kota, Rajasthan. Debt levels is expected to remain at current levels in FY15, however expected to increase going ahead as per business requirements. Debt equity ratio has improved in FY14 on account of improvement in networth backed by better profitability. BSPL is expected to maintain favourable debt equity ratio backed by better profitability and declining debt levels. Networth of the company has been on upward trend on account of better profitability which is again ploughed back into the business. Promoters' are committed for further equity infusion as per business requirement. Interest coverage ratio of 4.33 times has improved in FY14 compared to last year backed by strong profitability.

Outlook

Going forward, the firm's ability to maintain favourable capital structure and effectively manage its working capital along with the substantial growth in revenues, profit margins and cash accruals would be key rating sensitivities for the firm. The outlook is expected to be stable over the coming year and the performance is estimated to be steady and in line with past performance.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.