

## B B Minerals And Metals (Revised)

June 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	2.08	CARE BB; Stable	Assigned
Long Term Bank Facilities	40.42 (Enhanced from 5.00)	CARE BB; Stable	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE B-; Stable;

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

In the absence of minimum information required for the purpose of rating, CARE Ratings Ltd. (CARE) was unable to express an opinion on the rating of B B Minerals And Metals (BBMM) and in line with the extant SEBI guidelines, CARE revised the rating of bank facilities of the firm from 'CARE BB-; Stable' to 'CARE B+; Stable; ISSUER NOT COOPERATING' and subsequently revised the rating to 'CARE B-; Stable; ISSUER NOT COOPERATING'.

However, the firm has now submitted the requisite information to CARE. Accordingly, CARE has carried out a full review of the rating and the rating is revised to 'CARE BB; Stable'.

The rating assigned to the bank facilities of B B Minerals and Metals (BBMM) is constrained by its leveraged capital structure and stretched debt protection metrics, proprietorship nature of constitution, foreign exchange fluctuation risk, susceptibility to fluctuations of demand and supply inherent to the steel sector and the firm's presence in a competitive and fragmented nature of industry.

CARE takes note of the significant improvement in scale of operations in FY24 and sustenance of healthy operating margins. Apart from this, the positive factors that drives the rating are the proprietor's long experience in trading of minerals and metals and established network of customers and suppliers and starting of the manufacturing unit of Ferro Molybdenum from March 2024, which would further help the firm to boost its scale of operations.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operations above Rs 250 crores.
- Improvement in overall gearing below 1.50x and Total debt to GCA below 5 times.
- Improvement in collection cycle leading to easing of liquidity position.

#### Negative factors

- Decline in scale of operations below 150 crores and operating margins below 4.50%.
- Deterioration in the capital structure of the firm above 4 times.
- Any significant withdrawal of capital leading to net worth erosion below Rs 15 crores.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects the ability of the firm to sustain its operational performance amidst strong demand for ferro alloys backed by a growing steel sector.

### Detailed description of the key rating drivers:

#### Key weaknesses

**Proprietorship nature of constitution:** The proprietorship business model, while offering advantages like simplicity and full owner control, also carries inherent risks. These include the potential for capital withdrawal due to personal needs, the possibility of firm dissolution upon the owner's retirement or death, and limited financial flexibility, which can impede growth opportunities. However there hasn't been any significant withdrawal in the last few years, over the period of last 5 years there has been net addition of Rs 4.68 crores.

**Leveraged capital structure and stretched debt protection metrics:** The firm's capital structure marked by overall gearing stands leveraged at 3.31 times in FY24 as against 3.33 times as of FY23. The same has increased from FY21 levels where it stood at 1.88 times, owing to infusion of unsecured loans of Rs 9.08 crores to fund the capex and to support the working capital needs

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

of the firm. The firm debt structure comprises of Term loan, working capital limits and unsecured loans. The gearing is also affected because of a low net worth, which stood around Rs 16.81 crores as of March 31, 2024.

Furthermore, the debt coverage indicators of the firm, have recorded improvement from FY23 levels, though remains stretched, owing to a higher profitability. The total debt to Gross Current Assets (GCA) ratio and the PBILDT (Profit Before Interest, Lease, Depreciation, and Taxes) to interest coverage ratio stood at 11.15 times and 1.99 times, respectively, improved from 15.27 times & 1.89 times in the year ago period. Any further deterioration from current levels shall remain a key rating sensitivity.

**Foreign exchange fluctuation risk:** Till FY24, the firm didn't have any significant contribution to its revenues through exports, and of the total purchases, imports accounted for around 15 to 20%, exposing the firm to risk arising through foreign currency fluctuations. However, in FY24, out of approximately Rs 169 crores spent on procurement, imports accounted for Rs 20 to 25 crores. Conversely, the firm generated Rs 22 crores from exports during the same period, naturally balancing its foreign exchange exposure. The firm lacks a formal hedging strategy and instead procures forward contracts as and when needed.

**Presence in competitive and fragmented nature of industry:** Ferro alloys industry is quite dynamic and competitive. The presence of both organized and unorganized players likely creates a diverse market landscape, with various companies vying for market share. The imbalance between demand and supply of steel adds another layer of complexity, driving competition even higher as players strive to meet the needs of manufacturers and consumers. In such an environment, businesses may need to focus on efficiency, innovation, and building strong relationships with customers to stay ahead in the market.

**Susceptibility to fluctuations of demand and supply in steel industry:** The close relationship between the ferro alloys industry and the steel sector underscores the importance of ferro alloys as essential inputs for steel production. Any fluctuations in steel demand directly impact the ferroalloy market, as the two industries are closely intertwined. This interdependence means that changes in the economy, infrastructure development, construction activity, or industrial production can all have significant effects on both the steel and ferro alloys sectors. As a result, companies operating in the ferro alloys industry need to closely monitor market trends and adapt their strategies accordingly to navigate the fluctuations in demand for steel and maintain their competitiveness.

## Key strengths

**Experienced proprietor:** BBMM is led by Mr. Shiv Jagdishchandra Gupta, a seasoned professional with approximately two and a half decades of experience in the trading business. Supported by a team of experienced professionals, Mr. Gupta's extensive industry knowledge has been instrumental in establishing strong relationships with key customers and suppliers for the firm.

**Significant improvement in scale of operations in FY24 and healthy operating margins:** In FY24, the firm achieved robust sales growth driven by strong demand from the stainless-steel market, engineering, and defence sectors, where niche products like Ferro Molybdenum are essential. The company's turnover surged significantly from Rs 70.10 crores to Rs 169.26 crores, propelled by nearly doubling its sales volume from approximately 6000 metric tons in FY23.

Operating margins remain healthy due to the firm's practice of procuring materials in advance, securing discounts that enhance profitability. As of March 31, 2024, the operating margins of the firm stood healthy at 5.92%, an improvement of 46 bps from last fiscal.

As of April, and May 2024, on a combined basis, the firm has already achieved sales of close to Rs 26 crores. The firm has diversified its operations by venturing into manufacturing of Ferro Molybdenum in addition to its trading activities, with around 1.38% of total revenues coming from manufacturing in FY24. However, the firm is targeting to change the mix and is focusing around 60% of the total revenues in FY25 from manufacturing and remaining through trading sales. Furthermore, exports accounted for around 11% of total revenues in FY24.

**Established relationships with reputed suppliers and customers:** Through the experience of over two and half decades in trading of Ferro alloys, silica manganese and other alloys, the proprietor of BBMM has garnered good relationship with various suppliers and customers. Further, the customer and supplier base of the firm stands substantially diversified with no significant contribution from a specific customer or supplier towards income or purchases respectively. The top customers contributed around 89% of the total sales in FY24, which stood at around 80.34% during the same period in the prior fiscal. While the firm's supplier base also stood diversified, with around 55% of the total purchases contributed by top 5 suppliers.

**Commencement of operations under Ferro Molybdenum unit:** The firm has recently launched a new manufacturing unit for Ferro Molybdenum, starting operations in March 2024. This unit has a total installed capacity of 1200 metric tons per annum. The setup costs for this facility totalled Rs 11.07 crores, financed through a debt-equity ratio of 0.29:1.00. Specifically, Rs 2.50 crores were acquired through term debt, while the rest was funded by internal accruals and contributions from the promoters. Ferro Molybdenum serves a specialized customer base, primarily in the engineering and defence sectors, highlighting its niche market appeal. Significant contribution to the overall revenues from manufacturing, is expected to boost the firm's revenues and operating profitability going ahead.

### Liquidity: Stretched

BBMM's liquidity remains under strain, evident from its heavy reliance on working capital facilities. The company pays upfront for materials to secure cash discounts and offers customers a credit period of 40 to 45 days, resulting in an extended operating cycle of 88 days. Over the past 12 months until May 2024, the average utilization of its working capital limits reached 91.89%. Despite these challenges, BBMM anticipates generating adequate accruals in FY25 to settle its debt obligations amounting to Rs 0.89 crores. Moreover, as of March 31, 2024, the company had a cash and bank balance totalling Rs 3.61 crores.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Retail](#)

[Wholesale Trading](#)

### About the company and industry

#### Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Retailing	Distributors

B B Minerals And Metals is a Nagpur based proprietorship firm established in August 2009. The firm is majorly engaged in trading of ferroalloys and other niche minerals like Ferro Molybdenum and boasts a storage facility of around 50000 square feet located in Nagpur. The firm has also recently ventured into manufacturing of Ferro Molybdenum which has an aggregate installed capacity of 1200 MT per annum.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	2MFY25 (UA)
Total operating income	70.11	169.44	26.00
PBILDT	3.83	10.04	-
PAT	1.51	3.93	-
Overall gearing (times)	3.33	3.31	-
Interest coverage (times)	1.89	1.99	-

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	40.00	CARE BB; Stable
Fund-based - LT-Proposed fund-based limits		-	-	-	0.42	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	September 2029	2.08	CARE BB; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	40.00	CARE BB; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (19-Jan-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (16-Jan-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (30-Dec-21)
2	Fund-based - LT-Proposed fund-based limits	LT	0.42	CARE BB; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (19-Jan-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (16-Jan-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (30-Dec-21)
3	Fund-based - LT-Term Loan	LT	2.08	CARE BB; Stable				

\*Issuer did not cooperate; based on best available information.

LT: Long term;

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Proposed fund-based limits	Simple
3	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

## Contact us

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### About us:

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