

Bhagat Jee Steels Private Limited

December 11, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	16.15	CARE B; Stable; Issuer Not Cooperating* (Single B; Outlook: Stable; Issuer Not Cooperating*)	Issuer not cooperating; Based on best available information
Short-term Bank Facilities	0.57	CARE A4; Issuer Not Cooperating* (A Four; Issuer Not Cooperating*)	Issuer not cooperating; Based on best available information
Total	16.72 (Rupees Sixteen crore and Seventy Two only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Bhagatjee Steels Private Limited (BSPL)** to monitor the ratings vide e-mail communications/letters dated July 03, 2018, September, 06, 2018, November 28, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The rating on BSPL's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING** and **CARE A4; ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

At the time of last rating in **November 08, 2017** the following were the rating strengths and weaknesses: (updated the information available from Ministry of Corporate Affairs).

Key Rating Weaknesses

Small scale of operations with low profit margins: The scale of operations of the company remained small marked by total operating income of Rs.31.31 crore (Rs. 26.46 crore in FY17) with a net loss of Rs.2.13 crore (net loss of Rs.-1.59 crore in FY17) in FY18.

Volatility in raw material prices: The company does not have backward integration for its basic raw-materials (iron ore, coal etc.) and it procures the same from open market at spot prices. Since the raw-material is the major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material prices.

Working capital intensive nature of business: The company is into manufacturing of MS ingots and MS sections and accordingly BSPL has to maintain a large quantity of raw material inventories for smooth running of its production process and mitigate the price fluctuations risk. Accordingly the average inventory period of the company remained on around a month and half during last three years. Furthermore, the company allows credit of around three months to its customers due to its low bargaining power which also resulted into working capital intensive nature of its operations. However, it receives high credit period from its suppliers due to its long presence in the industry which mitigates its working capital intensity to a certain extent. The average utilization of fund based limit remained on the higher side at about 100% during last twelve months ending on November 30, 2018.

Weak capital structure and debt coverage indicators: The capital structure of the company remained weak due to negative networth owing to accumulated losses as on March 31, 2018. The debt coverage indicators of the company remained weak marked by interest coverage of 0.45 and total debt to GCA of -14.34 in FY18.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Intensely competitive industry with sluggish growth in end user industries and cyclical industry: BSPL is engaged in the manufacturing of iron and steel products which is primarily dominated by large players and characterized by high fragmentation and competition due to the presence of numerous players in India owing to relatively low entry barriers. High competitive pressure limits the pricing flexibility of the industry participants which induces pressure on profitability. The fortunes of companies like BSPL from the iron & steel industry are heavily dependent on the automotive, engineering and infrastructure industries. Steel consumption and, in turn, production mainly depends upon the economic activities in the country. Construction and infrastructure sectors drive the consumption of steel. Slowdown in these sectors may lead to decline in demand of steel & alloys. Furthermore, all these industries are susceptible to economic scenarios and are cyclical in nature.

Key Rating Strengths

Experienced promoters with long track record of operations: BSPL is into manufacturing of MS ingots, angles, flats, channels, rounds, squares etc. since 2000 and thus has around two decades of track record of operations. Being in the same line of business since long period, the promoters have built up established relationship with its clients and the company is deriving benefits out of this. Mr. Rakesh Kumar Agrawal (aged, 34 years) has more than a decade of experience in the same line of business, looks after the day to day operations of the company supported by Mr. Rohit Kumar who also has more than a decade of experience in the same industry. **Analytical approach:** Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[Sector specific methodologies-Steel](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

About the Company

BSPL was incorporated on June 14, 2000, promoted by Mr. Rakesh Kumar Agarwal and his family members. Since its inception, BSPL has been engaged in manufacturing of MS ingots, angles, flats, channels, rounds, squares etc. The manufacturing facility of the company is located at industrial area, Durgapur, West Bengal with an installed capacity of 24000 metric tonnes per annum (MTPA) for structural steels and 50000 MTPA for MS ingots.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	26.46	31.31
PBILDT	2.11	1.18
PAT	-1.59	-2.13
Overall gearing (times)	-27.59	-7.26
Interest coverage (times)	0.73	0.45

A: Audited;

Status of non-cooperation with previous CRA: CRISIL has suspended its ratings to the bank facilities of BSPL due to non-cooperation by the company vide its press release dated November 22, 2016.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also

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Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	16.15	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	0.57	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	16.15	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; Stable (08-Nov-17)	-	-
2.	Non-fund-based - ST-Letter of credit	ST	0.57	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (08-Nov-17)	-	-

*Based on best available information

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