

Bavtawala Iron & Steel Private Limited

Instrument	Amount	Rating Action
Short-term Non-fund based - Letter of Credit	Rs. 50.00 Crore	[ICRA]A4 Re-affirmed
Long-term fund-based sub-limit - Cash Credit*	(Rs.15.00 Crore)	[ICRA]BB-(stable) Re-affirmed
Unallocated Amount	Rs. 10.00 Crore	[ICRA]BB-(stable) / [ICRA]A4 Re-affirmed

**sub-limit within Rs. 50 crore non-fund based facility*

ICRA has re-affirmed the long-term rating of [ICRA]BB- (pronounced as ICRA double B minus) to the Rs. 15.00 crore¹ fund-based sub-limit of Bavtawala Iron & Steel Private Limited (BISPL or the company²). The outlook assigned on the long-term rating is Stable. ICRA has also re-affirmed the short-term rating of [ICRA]A4 (pronounced as ICRA A four) assigned to the Rs. 50-crore non-fund based facilities of BISPL. The unallocated amount of Rs. 10 crore has been rated by ICRA on both the scales at [ICRA]BB- and [ICRA]A4.

The ratings reaffirmation continues to factor in the extensive experience of the promoters in the steel industry, the firm's established relationships with reputed steel producers and its diversified customer base.

The ratings, however, remain constrained by the thin profitability following the low value-added nature of the trading business. The highly fragmented nature of the steel trading business characterised by stiff competition also exerts pricing pressures on BISPL. The capital structure continues to remain leveraged with a gearing of 1.15 times as on March 31, 2016. The ratings are further constrained by the firm's exposure to price risk and demand cyclicity inherent in the steel business.

ICRA expects the firm's revenues to improve by ~2% in FY2017 compared to FY2016, supported by the gradual improvement in domestic steel prices in the current fiscal. The company's profitability would remain pressurised due to the intense competitive pressures in the industry. Going forward, the company's ability to increase its scale of operations while sustaining its profit margins, and managing its working capital requirements, would remain the key rating sensitivities from the credit rating perspective.

Company profile

Bavtawala Iron & Steel Pvt. Ltd was incorporated in 1996. The company trades in hot rolled (HR) steel coils, plates, sheets and structural steel and is a stockist and a dealer of JSW Steel Limited and Uttam Value Steels Limited. It was started as a trading enterprise in 1985 by Mohamadhusein Lokhandwala and was converted into a private limited company in 1996. BISPL has its registered office at Darukhana, Mumbai and a warehousing facility at Kalamboli, Navi Mumbai.

Recent Results

BISPL recorded a net profit of Rs. 2.58 crore on an operating income of Rs. 249.66 crore for the year ending March 31, 2016 (as per the provisional figures disclosed by the management).

October 2016

¹100 Lakh = 1 Crore = 10 Million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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