Bhagwandas Metals Limited

Instrument	Amount	Rating action
	Rs. crore[1]	***June 2016***
Fund based facility	3.00	[ICRA]B+; Downgraded from [ICRA]BB-(Stable)
Non-fund based facility	5.50	[ICRA]A4; Reaffirmed

ICRA has revised the long-term rating for Rs.3.00 crore fund based facility of Bhagwandas Metals Limited ("BML" / "the Company")[2] from [ICRA]BB- (pronounced ICRA double B minus) to [ICRA]B+ (pronounced ICRA B plus). ICRA has reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A four) outstanding on the Rs. 5.50 crore non-fund based facility of BML.

The rating revision considers the decline in BML's revenues following a sizeable correction in prices on the back of softening of key raw material rates, amid weaker overall demand in the cyclical steel industry. The ratings are also constrained by the highly competitive nature of trading business which limits scope for improvement in profitability and the small scale of operations restricting benefits of scale economies.

However, the ratings factor in the comfortable capital structure of BML and the longstanding experience of its promoters in the steel trading business spanning over three decades.

Company Profile

BML is primarily engaged in trading in structural steel and steel scrap. It sources materials both domestically as well as through imports, and caters largely to localized demand in Tamil Nadu and Pondicherry. The Company's shares are listed on the Bombay Stock Exchange. Incorporated in 1982 by Mr. Govind Prasad, the Company was previously engaged in the manufacture of TMT rebars. Due to business slowdown and consequent losses, BML discontinued its manufacturing operations in 2002 and has been engaged in trading since 2003.

Recent results

BML reported a net profit of Rs. 0.1 crore on an operating income of Rs. 22.3 crore during 2015-16, as against a net profit of Rs. 0.2 crore on an operating income of Rs. 46.2 crore during 2014-15.

June 2016

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[1] 100 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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