

### Bina Metal Way Private Limited: Upgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.50 (Increased from 4.10)	SMERA B-/Stable (Upgraded from SMERA D)
Bank Guarantee	11.50 (Decreased from 13.40)	SMERA A4 (Upgraded from SMERA D)
Proposed Short Term Facility	0.50	SMERA A4 (Assigned)

SMERA has upgraded the ratings of the Rs.17.50 crore bank facilities of Bina Metal Way Private Limited (BMWPL) to '**SMERA B-**' (read as **SMERA B minus**) and '**SMERA A4**' (read as **SMERA A four**) from '**SMERA D**'. SMERA has also assigned short term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.0.50 crore bank facilities. The outlook is '**Stable**'.

The upgrade takes into account the regularisation of the cash credit facility (continuous overdrawals exceeding 30 days). The ratings continue to be constrained by the subdued financial risk profile and working capital intensive operations. The ratings also factor in the small scale of operations and net loss in FY2014-15. However, the ratings also take into account the experienced management.

#### Update

BMWPL reported marginally lower revenue of Rs.13.54 crore in FY2015 compared to Rs.15.44 crore in FY2014. The operating margins decreased to (0.52) per cent in FY2015 from 19.95 per cent in FY2014. The gearing ratio has improved from 6.75 times in 2014 to 2.78 times in 2015 though it continues at aggressive levels. The interest coverage ratio was at 1.19 times in FY2015 compared to 1.03 times in the previous year.

The financial profile has been weak marked by high gearing of 2.78 times in FY2014-15, low interest coverage ratio at 0.83 times and DSCR at 1.19 times in FY2014-15. The working capital intensive operations are marked by high average working capital days in the range of 490-580 days over the last few years due to the high raw material inventory that needs to be maintained for manufacturing switches and railway crossings. The average inventory has been in the range of 245 to 415 days in the last few years. The company operates at a small scale with revenue of Rs.13.54 crore and net loss of Rs.1.35 crore for FY2014-15.

However, the ratings are supported by an experienced management. The promoters Mr. Pronab Mukherjee, Mr. Pradip Mukherjee and Mr. Probal Mukherjee have around four decades of experience in this line of business.

#### Rating Sensitivity Factors

- Scaling up of operations and sustenance of profit margins
- Extent of debt-funded capex mix

#### Outlook-Stable

SMERA believes that BMWPL will continue to maintain a stable outlook and benefit over the medium term from the promoters extensive experience in the metal industry. The outlook may be revised to 'Positive' if the company achieves higher sales and profitability while registering improvement in its scale of operations and financial risk profile. Conversely, the outlook may be revised to 'Negative' if the financial risk profile further deteriorates due to increase in working capital requirements or if the company is unable to achieve the expected revenue growth and profitability.

**Criteria applied to arrive at the ratings:**

- Manufacturing Entities

**About the Company**

The Jamshedpur-based BMWPL, incorporated in 1986 was promoted by the Late Mr. Pronab Mukherjee, Mr. Pradip Mukherjee and Mr. Probal Mukherjee. The company manufactures switches and crossings for the railways and also undertakes processing of hot rolled steel coils for Tata Steel Limited at Adityapur, Jamshedpur. The installed capacity is 4,500 metric tonnes per month.

For FY2014-15, BMWPL reported net loss of Rs.1.35 crore on operating income of Rs.13.54 crore, as compared with net loss of Rs.0.90 crore on operating income of Rs.15.44 crore in FY2013-14. The net worth stood at Rs.6.28 crore as on March 31, 2015, as compared with Rs.3.81 crore a year earlier.

**Rating History**

Date	Name of the Instruments	Amount (Rs. Crore)	Rating		Rating/Outlook
			Long Term	Short Term	
05, June 2015	Cash Credit	4.10	SMERA D (Assigned)	-	-
	Bank Guarantee	13.40	-	SMERA D (Assigned)	-

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**ABOUT SMERA**

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