

Press Release

Bina Metal Way Private Limited (BMWPL)

19 January, 2018

Rating Upgraded



Total Bank Facility Rated *	Rs.17.50 Crore
Long Term Rating	SMERA B/Stable (Upgraded)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA B**' (read as **SMERA B**) from '**SMERA B-** (read as **SMERA B minus**)' and reaffirmed the short term rating of '**SMERA A4** (read as **SMERA A four**)' on the Rs 17.50 crore bank facilities of Bina Metalway Private Limited (BMWPL). The outlook is '**Stable**'.

The Jamshedpur-based BMWPL, incorporated in 1986 was promoted by Mr. Pronab Mukherjee, Mr. Pradip Mukherjee and Mr. Probal Mukherjee. In August '2015, the business was taken over by Mr. Shyam Sundar Goyal and Mr. Rohit Goyal. In addition, the company demerged its hot rolled steel processing unit- Bina Tube Private Limited w.e.f -1st April '2015. Currently, BMWPL is engaged in the manufacturing of switches and crossings for railways.

List of key rating drivers and their detailed descriptions

Strengths:

Experienced management and long track of operations

Incorporated in 1986, BMWPL has track record of over three decades in the manufacturing of switches and crossings for railways. In August '2015, the business was taken over by Mr. Shyam Sundar Goyal and Mr. Rohit Goyal from the initial promoters -Mr. Pronab Mukherjee, Mr. Pradip Mukherjee and Mr. Probal Mukherjee. Mr. Shyam Sundar Goyal and Mr. Rohit Goyal have a decade of experience in the said line of business.

Improvement in operating income and profitability margins

The operating income improved to Rs 18.30 crore in FY2017 from Rs 13.45 crore in FY2016. During the current year, the company registered Rs 15.54 crore till Nov'17. The operating margin of BMWPL improved to 7.96 per cent in FY2017 from operating loss of (18.05) per cent in the previous year. The improvement in margin is on account of lower manufacturing cost and better cost control steps undertaken by the new management.

Weaknesses:

Working capital intensive operations

The operations are working capital intensive marked by Gross Current Days (GCA) of 205 in FY2017 as compared to 348 days in FY2016. The high GCA days are on account of inventory and debtor days of 106 and 75 days respectively in FY2017. On an average the company utilised ~ 45 per cent of its working capital limit in the last six months ended Dec'17.

Moderate financial risk profile

The moderate financial risk profile is marked by low net worth, high gearing and moderate debt protection metrics. The net-worth stood at a low of Rs 1.69 crore in FY2017 compared to Rs 1.72 crore in FY2016. The total debt of Rs.7.45 crore in FY2017 consists of short term working capital facilities of Rs. 2.36 crore and Rs. 5.09 crore of unsecured loans from directors and bodies corporates. The gearing stood high at 4.41 times in FY2017 as against 5.35 times in FY2016. The Interest Coverage Ratio (ICR) stood at a modest 1.27 times in FY2017 as against (1.66) times in FY2016.

Analytical approach-For arriving at the ratings, SMERA has considered the standalone financial performance and financial risk profile of BMWPL.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook – Stable

SMERA believes that BMWPL will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if BMWPL registers more than envisaged sales and profitability while achieving improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve its expected growth in revenue and profitability or if the financial risk profile further deteriorates owing to more than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	18.30	13.45	13.54
EBITDA	Rs. Cr.	1.46	(2.43)	(0.07)
PAT	Rs. Cr.	(0.03)	(4.01)	(1.35)
EBITDA Margin	(%)	7.96	(18.05)	(0.52)
PAT Margin	(%)	(0.16)	(29.82)	(9.98)
ROCE	(%)	11.47	(15.22)	6.56
Total Debt/Tangible Net Worth	Times	4.41	5.35	2.78
PBDIT/Interest	Times	1.27	-1.66	1.19
Total Debt/PBDIT	Times	5.06	(4.11)	5.73
Gross Current Assets (Days)	Days	205	348	467

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
4 Jan, 2018	Cash Credit	Long Term	5.50	SMERA B- (Indicative)
	Bank Guarantee	Short Term	11.50	SMERA A4 (Indicative)
	Proposed Working Capital Demand Loan	Short Term	0.50	SMERA A4 (Indicative)
13 th Sept, 2016	Cash Credit	Long Term	5.50	SMERA B- (Upgraded)
	Bank Guarantee	Short Term	11.50	SMERA A4 (Upgraded)
	Proposed Working Capital Demand Loan	Short Term	0.50	SMERA A4 (Assigned)
5 th June, 2015	Cash Credit	Long Term	4.10	SMERA D (Assigned)
	Bank Guarantee	Short Term	13.40	SMERA D (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	NA	NA	NA	5.50	SMERA B /Stable (Upgraded)
Bank Guarantee	NA	NA	NA	11.50	SMERA A4 (Reaffirmed)
Proposed Working Capital Demand Loan	NA	NA	NA	0.50	SMERA A4 (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
<p>Vinayak Nayak, Head –Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in</p> <p>Aniruddha Dhar Rating Analyst, Tel:033-66201212 Email: aniruddha.dhar@smera.in</p>	<p>Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in</p>

ABOUT SMERA

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