

Press Release

Bina Metal Way Private Limited (BMWPL)

20 March, 2018

Rating Reaffirmed



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

*Refer Annexure for details

Rating Rationale

SMERA has re-affirmed the long term rating of '**SMERA B**' (**read as SMERA B**) and short term rating to '**SMERA A4** (**read as SMERA A four**) on the Rs 17.50 crore bank facilities of Bina Metalway Private Limited. 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 is taken over by Mr. Shyam Sundar Goyal and Mr. Rohit Goyal. In addition, the company demerged their hot rolled steel processing unit- Bina Tube Private Limited w.e.f -1st April'2015. Currently BMWPL is engaged in manufacturing of switches and crossings for railways.

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track of operations

Incorporated in 1986 BMWPL has a track record of over three decades in manufacturing of switches and crossings for railways. In August'2015, the business is 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 has a decade of experience in the same line of business.

Improvement in operating income and profitability margins

The operating income improved to Rs 18.30 crore in FY17 from Rs 13.45 crore in FY16. During the current year the company achieved Rs 15.54 crs till Nov'17. The operating margins of BMWPL improved to 7.96 per cent in FY 17 from operating loss of (18.05) per cent in the previous year. The improvement in margins 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 FY 17 as compare to 348 days in FY16. The high GCA days are on account of inventory and debtor days of 106 and 75 days respectively in FY 17. On an average the company utilized ~ 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) stand modest at 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 ECPL registers more than envisaged sales and profitability while achieving an 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
19th Jan'2018	Cash Credit	Long Term	5.50	SMERA B (Upgraded)
	Bank Guarantee	Short Term	11.50	SMERA A4 (Reaffirmed)
	Proposed Working Capital Demand Loan	Short Term	0.50	SMERA A4 (Reaffirmed)
4th 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	3.50	SMERA B /Stable (Reaffirmed)
Bank Guarantee	NA	NA	NA	14.00	SMERA A4 (Reaffirmed)

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

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ABOUT SMERA

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