

Press Release

Britex Engineering Works (BEW)

February 18, 2017

Rating Downgraded

Total Bank Facilities Rated*	Rs.16.00 Cr
Long Term Rating	SMERA D (Downgraded from SMERA B-)
Short Term rating	SMERA D (Downgraded from SMERA A4)

*Refer Annexure for details

Rating Rationale

SMERA has downgraded the rating on the above mentioned Rs.16.00 crore bank facilities of Britex Engineering Works (BEW) to '**SMERA D**' (read as SMERA D) from '**SMERA B-**' (read as SMERA B minus) and '**SMERA A4**' (read as SMERA A four).

BEW was established in 1973 by Mr. Yogesh Kadakia and family to manufacture forged fitting pipe flanges for various industries including petrochemical, pharma, and chemicals.

List of key rating drivers and their detailed description

Weaknesses:

Stretched liquidity position: The firm has stretched liquidity profile owing to overdues in the Packing Credit Account for more than 360 days. The overdues are on account of delays in payments with regard to exports.

Working capital intensive operations: The operations of the firm are working capital intensive evident from the Gross Current Assets days of 419 in FY2015-16 as compared to 317 days in FY2014-15.

Decline in revenue: The revenue of BEW declined to Rs.24.26 crore in FY2015-16 from Rs.34.50 crore in FY2014-15 mainly on account of fluctuations in raw material prices.

Strengths:

Experienced management: The management possesses experience of four decades in the metals and mining industry.

Moderate financial risk profile: BEW has moderate financial risk profile marked by gearing of 1.37 times as on 31 March, 2016 as against 4.07 times as on 31 March, 2015. The interest coverage ratio has been at a low of 1.29 times in FY2016 as against 1.32 times in FY2015.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of BEW.

Applicable Criteria

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

About the Rated Entity

BEW was established in 1973 by Mr. Yogesh Kadakia and family to manufacture forged fitting pipe flanges.

For FY2015-16, BEW reported profit after tax (PAT) of Rs.0.44 crore on operating income of Rs.24.26 crore, as compared with PAT of Rs.0.48 crore on operating income of Rs.34.50 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): CRISIL Ratings in its press release dated September 03, 2015 inter alia stated the following "The suspension of ratings is on account of non-co-operation by Britex with CRISIL's effort to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, Britex is yet to provide adequate information to enable CRISIL to assess Britex's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information. CRISIL considers information availability risk as a key factor in its rating process as outlined in its criteria 'Information Availability - a key risk factor in credit ratings.'"

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.00	SMERA D (Downgraded)	-	-	09 Sept, 2015	SMERA B-/Stable (Assigned)	-	-
Packing Credit	ST	7.00	SMERA D (Downgraded)	-	-	09 Sept, 2015	SMERA A4 (Assigned)	-	-
Standby Overdraft	ST	0.29	SMERA D (Downgraded)	-	-	09 Sept, 2015	SMERA A4 (Assigned)	-	-
Inland Letter of Credit	ST	2.00*	SMERA D (Downgraded)	-	-	09 Sept, 2015	SMERA A4 (Assigned)	-	-
Letter of Guarantee	ST	0.85	SMERA D (Downgraded)	-	-	09 Sept, 2015	SMERA A4 (Assigned)	-	-
Proposed Long Term/Short Term Facilities	LT/ST	0.86	SMERA D (Downgraded)	-	-	09 Sept, 2015	SMERA B-/Stable/ SMERA A4 (Assigned)	-	-

*Full interchangeability between non-fund based inland Letter of Credit limit to Cash Credit Limit

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Cash Credit	N.A	N.A	-	5.00	SMERA D (Downgraded)
Packing Credit	N.A	N.A	-	7.00	SMERA D (Downgraded)
Standby Overdraft	N.A	N.A	-	0.29	SMERA D (Downgraded)
Inland Letter of Credit	N.A	N.A	-	2.00*	SMERA D (Downgraded)
Letter of Guarantee	N.A	N.A	-	0.85	SMERA D (Downgraded)
Proposed Long Term/Short Term Facilities	N.A	N.A	-	0.86	SMERA D (Downgraded)

**Full interchangeability between non-fund based inland Letter of Credit limit to Cash Credit Limit*

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Hina Gupta, Rating Analyst, Tel: 022-61031111 Email: hina.gupta@smera.in	

ABOUT SMERA

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