

### Bina Udyog Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	17.40	SMERA B+/Stable (Assigned)
Term Loan	3.65	SMERA B+/Stable (Assigned)
Long Term Bank Facility (Proposed)	0.98	SMERA B+/Stable (Assigned)
Letter of Guarantee*	4.00	SMERA A4 (Assigned)

\*Interchangeable with Letter of Credit to the extent of Rs.2.00 crore

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.22.03 crore (fund based) facility and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.4.00 crore (non-fund based) bank facility of Bina Udyog Private Limited (BUPL). The outlook is '**Stable**'. The ratings are constrained by the low profitability and working capital intensive operations. However, the ratings draw comfort from the experienced management and comfortable financial risk profile.

BUPL is engaged in the manufacturing of PP bags used in packaging. The low profitability of the company is marked by operating margins of 5.85 percent and 2.85 percent in FY2016 and FY2015 respectively. Also, the PAT margins stood at 0.57 percent in FY2016 and 0.48 percent in FY2015 on account of high depreciation and interest expenses. Moreover, the profitability is supported by non-recurring income from trading in currency futures in FY2016 and FY2015.

However, the company's operations are working capital intensive marked by high gross current assets days of 192 in FY2016 as against 189 in FY2015. This is mainly on account of high inventory and stretched receivables of 68 days and 105 days in FY2016 respectively. BUPL manufactures PP bags used for packaging. The company's management includes Mr. Vivek Agarwal and Mr. Vinod Kumar Agarwal who possess over a decades experience in the aforementioned industry.

The financial risk profile is marked by moderate debt protection metrics, comfortable gearing and net worth base. The interest coverage and debt service coverage ratios stand at 1.90 times and 1.49 times respectively in FY2016. The comfortable gearing is marked by 0.67 times in FY2016 as compared to 0.41 times in FY2015. The net worth base stands at Rs.18.98 crore as on 31st March 2016. BUPL does not have any expansion plan in the near future.

#### Rating Sensitivity Factors

- Improvement in profitability margins
- Efficient working capital management

#### Outlook-Stable

SMERA believes that BUPL will maintain a stable outlook and benefit from its promoters' extensive experience in the manufacture of PP bags. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected improvement in profitability or if the working capital cycle further elongates.

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

- Manufacturing entities

**About the Company**

Established in 2002, BUPL is engaged in the manufacture of PP bags used for packaging of commodities such as cement, sugar, chemicals at Howrah. The company has two units with combined production capacity of 700 tonnes per month. The day-to-day operations are managed by Mr. Vivek Agarwal and Mr. Vinod Kumar Agarwal who possess over a decades experience in the aforementioned industry.

For FY2016, BUPL reported profit after tax (PAT) of Rs.0.52 crore on total operating income of Rs.91.77 crore, as compared with profit after tax (PAT) of Rs.0.35 crore on operating income of Rs.73.07 crore in FY2015.

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**ABOUT SMERA**

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