

Press Release

21 July, 2017

Bina Tube Private Limited

Rating Assigned



Total Bank Facilities Rated *	Rs.12.86 cr.
Long Term Rating	SMERA B+/ Outlook: Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.12.86 crore bank facilities of Bina Tube Private Limited. The outlook is '**Stable**'.

Incorporated in 2006 as a sister concern of Bina Metal Way Private Limited (rated SMERA B-/Stable/A4), Bina Tube Private Limited (BTPL) is a Jamshedpur-based company engaged in the conversion of HR coils into tubes. The company is a registered agent for conversion of Tata Steel Limited's HR coils into tubes and has installed capacity of 5,000 metric tonnes per month. BTPL was demerged from Bina Metal Way Private Limited as per High court order dated 28' Sept,2016 w.e.f from 1st April 2015.

Key Rating Drivers

Strengths

Experienced management

The Directors, Mr. Pradip Mukherjee and Mr. Probal Mukherjee have more than a decade of experience in the said line of business. The Directors also head Bina Metal Way Private Limited engaged in the manufacturing of switches and crossings for railways since 1986.

Healthy margins

The operating margins stood healthy at 30.76 per cent in FY2017 (Provisional) as against 34.78 per cent in FY2016. The high operating margins are primarily due to conversion nature of business where HR coils are rolled into tubes and the cost of the process (power, manpower and consumption of stores and spares) constitutes ~ 55 per cent of the total operating income.

Long standing relationship with TATA Steel Ltd

BTPL has established relations with TATA Steel Limited since the last 12 years. The company is an authorised agent in Jamshedpur for conversion and has capacity to process 5,000 metric tonne per month.

Weaknesses

Debt funded capex plan

BTPL's plans to undertake capex of Rs 7.36 crore in FY2017-18 for installation of plant and machinery and construction of shed. With installation of the new plant and machinery, the company in addition to conversion of HR coils into tubes will start slitting the HR coils into smaller strips as per size and requirement. Plans are on to fund the project by term loan of Rs 5.50 crore and the balance from the promoter's fund. The project is expected to be completed by FY2017-18 and operations are likely to commence in FY2018-19. The management as a result is expecting a rise in operating income of 40-45 per cent in the medium term. SMERA believes that the increase in debt is likely to deteriorate the gearing and coverage indicators in the near term. Besides, timely completion of the project will remain the key rating sensitivity.

Moderate financial risk profile

BTPL's moderate financial risk profile is marked by low net worth, high gearing and healthy debt protection metrics. The net worth stands low at Rs 2.97 crore in FY2017 (Provisional) as compared to Rs 2.15 crore in FY2016. The gearing stands high at 1.94 times in FY2017 (Provisional) as compared to 3.60 times in FY2016. The high gearing is mainly on account of unsecured loan of Rs 3.24 crore from directors and promoters. Of this, SMERA has considered interest free unsecured loan of Rs 1.96 crore as quasi equity based on an undertaking received from the management that the amount will be retained in the business and will not be withdrawn in the medium term. The ICR stands comfortable at 3.16 times in FY2017 (Provisional) as against 2.81 times in FY2016. The DSCR stands comfortable at 1.68 times in FY2017 (Provisional) as against 1.98 times in FY2016.

Modest scale of operations

The scale of operations is modest with revenue of Rs 9.17 crore in FY2017 (Provisional) as against Rs 8.11 crore in FY2016. The modest scale is due to the low value addition nature of operations which are limited to conversion of HR coils in tubes.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of BTPL.

Outlook: Stable

SMERA believes that BTPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues by completing the project in time while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenues, delay in implementation of the project or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2017 (Provisional), BTPL reported Profit after Tax (PAT) of Rs.0.82 crore on total operating income of Rs.9.17 crore as compared with PAT of Rs(0.11) crore on total operating income of Rs.8.11 crore in FY2016.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+/Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	7.36	SMERA B+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	28-Feb-2022	3.00	SMERA B+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4 (Assigned)

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ABOUT SMERA

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