

Press Release

Bina Tube Private Limited

September 12, 2018



Rating Downgraded and Assigned

Total Bank Facilities Rated*	Rs. 12.86 Cr.
Long Term Rating	ACUITE D (Downgraded and Assigned from ACUITE B+ /Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE D** (read as ACUITE D) from '**ACUITE B+** (read as ACUITE B plus) on the Rs. 6.54 crore bank facilities and the short term rating to '**ACUITE D** (read as ACUITE D) from '**ACUITE A4** (read as ACUITE A four) on the Rs. 0.80 crore bank facilities of Bina Tube Private Limited (BTPL).

Further, Acuité has assigned long term rating of '**ACUITE D** (read as ACUITE D) on the Rs. 5.52 crore bank facilities of Bina Tube Private Limited (BTPL).

Jamshedpur based, Bina Tube Private Limited (BTPL) was incorporated in 2012. BTPL (erstwhile Bina tube division) was a tube division of Bina metal Way Private Limited which got incorporated in 1986. The directors of the company are Mr. Probal Mukherjee and Mr. Pradeep Mukherjee. BTPL is the sole conversion agent for TATA Steel Limited engaged in manufacturing of ERW steel tubes. The manufacturing facility is located in Jamshedpur with an installed capacity of 5000 metric tons per month with ~70 percent utilization.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

Bina Tube Private Limited (BTPL) was incorporated in 2012 which was earlier a division of Bina Metal Way Private limited (incorporated in 1986) thus having an operational track record of over three decades in the steel industry. The promoters have an experience of over three decades in the steel industry. Hence long track records of operations and vast experience of management has helped the company to develop healthy relationship with TATA Steel Limited. Acuité believes BTPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- Efficiently managed working capital operations**

BTPL has efficiently managed its working capital as reflected in Gross Current Assets (GCA) of 95 days in FY2018 as against 93 days in FY2017. This is mainly because of debtors of 40 days in FY2018 as against 33 days in FY2017. The inventory of the company stood at 28 days in FY2018 as against 31 days in FY2017. Further, the company has net cash accruals of Rs. 2.23 crore against Rs. 0.65 crore of debt obligation in FY2018. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile

Weaknesses

- Delays in debt servicing**

The rating reflects delays in servicing of debt obligations. There have been instances of delay in servicing of principal and interest payments of term loans during the last three months. However, there are no overdues as on date.

- **Small scale of operations**

BTPL has small scale of operations marked by operating income of Rs. 10.29 crore in FY2018 as against Rs. 9.17 crore in FY2017. However, it has reported operating revenue of ~Rs. 4.50 crore from April 2018- August 2018. Acuité believes that the scale of operations will increase over the medium term on account of additional contract made with TATA Steel Limited.

- **Average financial risk profile**

The financial risk profile of BTPL remained average marked by net worth of Rs. 3.29 crore as on 31 March 2018 which includes Rs. 1.45 crore of unsecured loans from directors and relatives subordinated by bank debt. Networth stood at Rs. 2.18 crore as on 31 March 2017. The gearing stood at 2.13 times as on 31 March 2018 as against 2.97 times as on 31 March 2017. The total debt of Rs. 7.01 crore as on 31 March 2018 mainly comprises of Rs. 1.35 crore of unsecured loan from body corporate, Rs. 3.90 crore of long term debt and Rs. 1.75 crore of working capital facility. The Interest Coverage Ratio (ICR) stood at 3.73 times for FY2018 as against 3.27 times for FY2017. The NCA/TD (Net cash accruals to total debt) ratio remained at 0.32 times in FY2018 and 0.25 times in FY2017. Further, Debt to EBITDA stood at 2.44 times in FY2018 as against 2.33 times in FY2017.

- **Customer concentration risk**

The company is exposed to customer concentration risk as 100 percent of the total operating income is generated from a single customer -TATA Steel Limited. However, the company is expanding by getting more contracts from the same.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Bina Tube Private Limited to arrive at this rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	10.29	9.17	8.11
EBITDA	Rs. Cr.	2.91	2.75	2.82
PAT	Rs. Cr.	1.11	0.54	-0.11
EBITDA Margin	(%)	28.26	29.93	34.78
PAT Margin	(%)	10.77	5.84	-1.34
ROCE	(%)	16.69	16.19	32.49
Total Debt/Tangible Net Worth	Times	2.13	2.97	5.03
PBDIT/Interest	Times	3.73	3.27	2.81
Total Debt/PBDIT	Times	2.44	2.33	2.90
Gross Current Assets (Days)	Days	95	93	106

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Jul-2017	Cash Credit	Long Term	2.00	ACUITE B+ / Stable (Assigned)
	Proposed Long Term Loan	Long Term	7.36	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	2.13	ACUITE D (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE D (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.52	ACUITE D (Assigned)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.41	ACUITE D (Downgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE D (Downgraded)

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About Acuité Ratings & Research:

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