

Press Release

Bina Tube Private Limited

November 15, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 12.86 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable (Upgraded from ACUITE D)
Short Term Rating	ACUITE A4 (Upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE B-**' (**read as ACUITE B minus**) from '**ACUITE D**' (**read as ACUITE D**) and short term rating to '**ACUITE A4**' (**read as ACUITE A four**) from '**ACUITE D**' (**read as ACUITE D**) to the Rs. 12.86 crore bank facilities of Bina Tube Private Limited (BTPL). The outlook is '**Stable**'.

The upgrade is on account of regular account conduct and timely debt repayment obligation. As per banker's feedback, the account is now regular and there are no overdues as on date.

The 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 a conversion agent for TATA Steel Limited engaged in manufacturing of ERW steel tubes. The manufacturing facility is located in Jamshedpur (Jharkhand) with an installed capacity of 5000 metric tons per month with ~70 percent utilization.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

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 company is promoted by Mr. Probal Mukherjee (Director) and Mr. Pradeep Mukherjee (Director) having 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 marked by Gross Current Assets (GCA) of 95 days for FY2018 as against 93 days for FY2017. The debtor days stood at 40 days for FY2018 as against 33 days for FY2017. The inventory days stood at 28 days for FY2018 as against 31 days for FY2017. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Weaknesses

- **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. 7.25 crore from April 2018-October 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 (includes quasi equity of Rs.1.45 crore) as against net worth stood at Rs.2.18 crore as on 31 March, 2017 (including quasi equity of Rs.1.45 crore). The gearing (debt-equity) 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 loans, Rs. 3.91 crore of long term debt and Rs.1.75 of working capital facility. Interest Coverage Ratio (ICR) stood at 3.73 times for FY2018 as against 3.27 times for FY2017. NCA/TD (Net Cash Accruals to Total Debt) ratio remained at 0.32 times in FY2018 and 0.25 times in FY2017. Debt to EBITDA stood at 2.44 times in FY2018 as against 2.33 times in FY2017. Further, timely debt repayment of the company will remain key rating sensitivity factor.

• 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.

Outlook: Stable

Acuité believes that BTPL will maintain a 'Stable' outlook over the medium term owing to its established track record of operations and experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and profitability while maintaining its debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile or working capital management.

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
12-Sep-2018	Term Loan	Long Term	2.13	ACUITE D (Downgraded from ACUITE B+)
	Proposed Long Term Loan	Long Term	2.41	ACUITE D (Downgraded from ACUITE B+)
	Cash Credit	Long Term	2.00	ACUITE D (Downgraded from ACUITE B+)
	Bank Guarantee	Short Term	0.80	ACUITE D (Downgraded from ACUITE A4)
	Term Loan	Long Term	5.52	ACUITE D (Assigned)
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	2.03	ACUITE B- / Stable (Upgraded from ACUITE D)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B- / Stable (Upgraded from ACUITE D)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.52	ACUITE B- / Stable (Upgraded from ACUITE D)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.51	ACUITE B- / Stable (Upgraded from ACUITE D)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE A4 (Upgraded from ACUITE D)

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About Acuité Ratings & Research:

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