

Press Release

Benco Thermal Technologies Private Limited

May 21, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.6.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* 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)** to the Rs.6.00 crore bank facilities of Benco Thermal Technologies Private Limited (BTTPL). The outlook is '**Stable**'.

Benco Thermal Technologies Private Limited (BTTPL) was incorporated in 1988. It is engaged in manufacturing of heat treat furnaces and associated equipments. The Directors are Mr. Panchapakesan Ramachandran, Mr. Raghavan Rangarajan and Mr. Ramachandran Jayalakshmi. The main raw materials required are iron and steel which are procured from local players of Chennai. The key customers are Ordinance factory, Metro Steel Ind., RAD-CON Inc to name a few.

Key Rating Drivers

Strengths

- **Established operational track record and experienced management:**

BTTPL was incorporated in 1988 establishing long track record of operations in this line of business. The Directors have an experience of around 3 decades.

Weaknesses

- **Modest scale of operation**

The modest scale of operations is marked by operating income of Rs.11.94 crore in FY2017 as against an operating income of Rs.12.39 crore in FY2016. While the revenue earned was around Rs.19.00 crore till 28 February, 2018 (Provisional), it continues to be at relatively moderate levels.

- **Weak financial risk profile**

The weak financial risk profile is marked by low networth, high gearing and modest debt protection measures. The networth stood at Rs.1.62 crore as on 31 March, 2017 as compared to Rs.1.30 crore as on 31 March, 2016. The debt equity stood at 1.63 times in FY2017 as compared to 2.34 times in the previous year. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.16 times while Debt Service Coverage Ratio (DSCR) stood at 1.79 times as on 31 March, 2017. The Interest Coverage Ratio stood at 2.15 times in FY2017 as compared to 1.44 times in FY2016.

- **Working capital intensive**

The working capital management is high marked by Gross Current Asset (GCA) days of 161 in FY2017. The debtors and inventory stood at 79 days and 63 days respectively in FY2017. The customers comprise mainly the public sector units.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of BTTPL to arrive at this rating.

Outlook: Stable

SMERA believes that BTTPL will maintain a 'Stable' outlook over the medium term benefitting from its long track record of operations. The outlook may be revised to 'Positive' if BTTPL scales up operations while also improving profitability and its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	11.94	12.39	11.05
EBITDA	Rs. Cr.	1.02	0.80	0.78
PAT	Rs. Cr.	0.27	0.04	0.03
EBITDA Margin	(%)	8.54	6.49	7.03
PAT Margin	(%)	2.25	0.36	0.23
ROCE	(%)	21.11	14.72	25.76
Total Debt/Tangible Net Worth	Times	1.63	2.34	2.74
PBDIT/Interest	Times	2.15	1.44	1.42
Total Debt/PBDIT	Times	2.46	3.65	4.25
Gross Current Assets (Days)	Days	161	242	230

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

None

Any other information:

None

Applicable Criteria

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

Note on complexity levels of the rated instrument:

<https://www.smerra.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. Crore)	Ratings/Outlook
Open Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B+ / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4

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