

Press Release

Binayak Hi Tech Engineering Private Limited

August 11, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 34.00 Crore
Long Term Rating	ACUITE BBB/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) to the Rs.34.00 Cr bank facilities of Binayak Hi Tech Engineering Private Limited (BHTEPL). The outlook is '**Stable**'.

The rating on BHTEPL takes cognizance of the sound business risk profile of the company marked by long standing experience of the promoters, healthy profitability margins and cash accruals arising from increasing realizations and healthy order book position buoyed by repeat orders from its global vintage clientele. The rating also factors in the average financial risk profile of the company characterized by improving leverage and strong debt coverage indicators. These strengths are partly offset by the working capital intensity in BHTEPL's operations and exposure to competition in the industry.

About the company

Incorporated in 1995, Binayak Hi –Tech Engineering Pvt (BHTEPL) is a Howrah (West Bengal) based company engaged in manufacturing of landscaping products like cast iron / ductile iron manhole covers & gratings, fabricated mild steel manhole covers & gratings, ornamental castings like garden benches, tree gates, designer cast bamboos, fencing etc. with their production unit located in Liluah, West Bengal. The company is currently exporting to more than 20 countries mainly USA, UK, Europe, Middle East, Africa and Australia. Currently, the company is headed by Mr Mahesh Kumar Jhunjhunwala, Mrs Kiran Jhunjhunwala, Mr. Atul Jhunjhunwala and Mrs Priyanka Jhunjhunwala.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of BHTEPL to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operation and experienced management**

The key promoter, Mr Mahesh Kumar Jhunjhunwala is the managing director and has more than three decades of experience in similar businesses. He is ably supported by other directors who are professionally running the company. Further, the company has a long standing relationship with its clients spread across the globe. It is a hundred per cent export-oriented unit, exporting to several countries such as USA, UK, Europe, Middle East, Africa and Australia. Acuité believes the rich experience of the promoters and healthy relations with customers and suppliers will continue to support the business going forward.

- Sound Business Risk Profile**

The company has achieved revenues of Rs.88.16 Cr in FY2021 (prov.) as compared to revenues of Rs. 84.68 Cr in FY2020. The turnover of the company has been growing at a CAGR of more than 11.19 per cent from FY18 to FY21. Further, the stability in revenue is driven by its established market position and global demand for its products. BHTEPL has an unexecuted healthy order book position to the tune of about Rs.27.18 crores as on 31st May, 2021 which will be executed in the next two months, thus providing moderate revenue visibility over the medium term.

The EBITDA margin of the company increased to 8.65 per cent as on 31st March, 2021 (Provisional) as compared to 6.90 per cent in the previous year. The PAT margins stood at 4.26 per cent in FY2021 as against 2.57 per cent as on FY2020. The Return on Capital Employed (ROCE) of the company stood comfortable at

16.00 per cent as on FY2021 (Provisional) as compared to 14.43 per cent as on FY2020. The improvement in profitability margins are primarily on account of high demand and better pricing along with reduction in employee expenses, manufacturing expenses and consumption in raw material.

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by modest albeit improving networth, moderate gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs. 20.24 Cr as on March 31, 2021 (provisional) from Rs.16.48 Cr as on March 31, 2020 due to accretion of profits. Acuité has considered unsecured loans of Rs.3.00 Cr as on March 31, 2021 (provisional), as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the company stood moderate as Debt to Equity ratio stood at 1.36 as on March 31, 2021 (provisional) as compared to 1.34 as on March 31, 2020. The debt of Rs.27.62 Cr mainly consists of working capital borrowing of Rs. 17.61 Cr, long term debt of Rs. 9.24 Cr and current maturity of term loan of Rs.0.77 Cr. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.84 times as on 31st March, 2021 (prov.) as against 1.74 times as on 31st March, 2020. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 4.07 times and Debt Service coverage ratio at 2.36 times as on 31st March, 2021 (prov.). Net Cash Accruals/Total Debt (NCA/TD) stood at 0.17 times as on 31st March, 2021 (prov.). Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

Weakness

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 164 days as on March 31, 2021(provisional) similar as against 111 days as on March 31, 2020. The high GCA days are on account of high debtor period which stood at 61 days as on March 31, 2021 as compared to 11 days as on 31st March 2020. The debtors are primarily high due to inherent nature of the business. In FY20, the significant fall in debtors were in line with the Indian ports facing serious inland service shortages amid a countrywide lockdown, exporters and importers were scrambling to move cargo in and out of terminals across the country. Further, the inventory period stood high at 64 days as on 31st March, 2021 (prov.) against 58 days in the previous year. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from the high debtor and inventory level.

- **Intense competition in the iron & steel industry**

The iron & steel industry is highly fragmented and unorganized. The company is exposed to intense competitive pressure from large number of organized and unorganized players with low entry barriers and lack of product differentiation.

Rating Sensitivity

- Growth in revenue along with improvement in profitability margins
- Elongation of working capital cycle

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by net cash accruals stood at Rs. 4.58 Cr as on March 31, 2021 (provisional) as against long term debt repayment of Rs. 0.84 Cr over the same period. The cash and bank balances of the company stood at Rs.4.14 Cr as on March 31, 2021 (provisional) as compared to Rs. 6.38 Cr as on March 31, 2020. The current ratio stood comfortable at 1.44 times as on March 31, 2021 (provisional). However, the fund based limit remained highly utilized at 91 per cent over six months ended April, 2021. Further, the company has availed loan moratorium and also applied for additional covid loan of Rs. 4.00 Cr. The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 164 days as on March 31, 2021 (provisional) as against 111 days as on March 31, 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on BHTEPL will remain 'Stable' over the medium term on account of the experience of the promoters and comfortable business risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its scale of operations. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or further elongation in its working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	88.16	89.20
PAT	Rs. Cr.	3.76	2.29
PAT Margin	(%)	4.26	2.57
Total Debt/Tangible Net Worth	Times	1.36	1.34
PBDIT/Interest	Times	4.07	2.68

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
YES Bank	PCFC	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE BBB/Stable (Assigned)
YES Bank	Term Loan	30-06-2019	10.00%	31-06-2025	3.66	ACUITE BBB/Stable (Assigned)
YES Bank	Term Loan	30-11-2019	10.00%	31-08-2023	0.10	ACUITE BBB/Stable (Assigned)
YES Bank	GECL	Not Applicable	Not Applicable	Not Applicable	4.24	ACUITE BBB/Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Srijita Chatterjee Analyst - Rating Operations Tel: 033-6620 1212 srijita.chatterjee@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022- 67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research

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