

Press Release

Binayak Hi Tech Engineering Private Limited

August 08, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	34.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	34.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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 Ltd. (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 Jhunjunwala, Mrs Kiran Jhunjunwala, Mr. Atul Jhunjunwala and Mrs Priyanka Jhunjunwala.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established relationship with customers

Established in 1995, the company has been operational for more than 25 years. The key

promoters, Mr. Mahesh Kumar Jhunjhunwala and Mr. Atul Jhunjhunwala have more than 3 decades of experience in the business. The long standing experience of the promoters and established track record of operations has consequently helped them to develop high customer vintage, loyalty and a strong connect with its overseas customers and also comfortable relationships with key suppliers. Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

Significant improvement in the scale of operation

Supported by the push towards rapid industrialization and urbanization, BHTEPL witnessed a significant improvement in its scale of operations marked by its revenues of Rs. 139.65 Cr. in FY2022 as against Rs. 87.30 Cr. in FY2021. Further, the company has already achieved Rs. 60 Cr. till July 2022 (Provisional). The turnover of the company has been growing at a CAGR of more than 23.57 per cent from FY18 to FY22. Further, the stability in revenue is backed by established market position of the company and global demand for its products. BHTEPL has an unexecuted healthy order book position to the tune of about Rs.32.47 crores as on 25th July, 2022 which will be executed in the next two months, thus providing moderate revenue visibility over the medium term. Established relationships with customers, some of whom have been associated with BHTEPL for over a decade, is reflected in the flow of repeat orders. It also operated at a healthy capacity of ~87.35 per cent in FY22 driven by increase in demand of the products.

The operating margin moderated to 8.31 in FY2022 from 8.75 per cent in FY2021, as the freight costs have skyrocketed more than 300 percent along with unavailability of the containers. However, the EBITDA per tonne improved in FY22 to Rs 9903 from Rs 7568 in FY 2021, backed by healthy realisations. The PAT margin of the company also increased to 4.49 per cent in FY2022 from 4.33 per cent in FY2021. The increase in profitability margins translated into healthy Return on Capital Employed (RoCE) of the company, which stood at 19.06 per cent as on March 31, 2022 as compared to 15.37 per cent as on March 31, 2021. The growth in profitability margins was primarily on account of high demand, better pricing power and variable cost reduction through operational efficiencies in production processes. Acuité expects BHTEPL's profits to remain at attractive levels in the next 12 months as finished product prices continue to remain elevated. Moreover, the company has been seeking proportionate raise from its clients, and its ability to pass on the rise in its input costs and protect any sharp erosion in margins over the near to medium term will remain a key monitorable.

Above average financial risk profile

The company's above average financial risk profile is marked by moderate albeit increasing net worth, improved gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.26.29 Cr. as on March 31, 2022 from Rs.20.26 Cr. as on March 31, 2021, on account of ploughing back of profits. Gearing of the company improved to 1.32 as on March 31, 2022 as compared to 1.56 as on March 31, 2021 due to repayment of debts. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.94 times as on March 31, 2022 as against 2.05 times as on March 31, 2021. The strong debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 5.05 times in FY 2022 as against 4.09 times in FY 2021; and Debt Service Coverage Ratio (DSCR) at 2.45 times in FY 2022 as against 2.36 times in FY 2021. The surge in earnings in FY2022 supported by minimal debt and high accruals led to further improvement in the credit metrics. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.21 times as on March 31, 2022. Acuité believes that going forward, the financial risk profile of the company will remain healthy backed by steady accruals and absence of any major debt funded capex plan.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by high Gross

Current Assets (GCA) which improved to 145 days as on March 31, 2022 as compared to 156 days as on March 31, 2021. The high GCA days are on account of high debtor period which stood at 74 days as on March 31, 2022 as compared to 63 days as on 31st March 2021. The debtors are primarily high due to inherent nature of the business, as the payments are received on proof of shipment, thereby resulting in a lag of some days. However, the inventory period improved to 59 days as on 31st March, 2022 against 65 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 existing collection mechanism and moderate inventory levels over the medium term.

Client-concentration risk

The company's revenues are highly concentrated to the extent of ~48.76 per cent coming in from its top five customers. However, the vintage of its client relationships mitigates the concentration risk to a certain extent. The Company has a global presence, mainly catering to US and European markets. It has built strong relationship of more than 27 years with reputed American Foundry Company- General Foundries INC, alliance with the Belgium Company-Cassart Special Products over 15 years and tie-up of about 13 years with U.K. based Manhole Covers Ltd. The US market is expected to continue to be the highest contributing region, going forward, by securing the repeat high-value orders from the same.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by healthy net cash accruals which stood at Rs.7.14 Cr. in FY 2022 as against long term debt repayment of only Rs. 1.55 Cr. during the same period. The cash and bank balances of the company stood at Rs. 3.72 Cr. as on March 31, 2022 as compared to Rs. 3.20 Cr. as on March 31, 2021. Further, the current ratio also stood moderate at 1.27 times as on March 31, 2022. Prolonged export payments from customers against prompt payments to suppliers ensures average fund based limit utilization for the past six months ended June, 2022 standing at ~ 87.22 percent. Acuité believes that going forward the company will continue to maintain adequate liquidity position owing to steady accruals backed by improvement in earnings led by high demand.

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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	139.65	87.30
PAT	Rs. Cr.	6.27	3.78
PAT Margin	(%)	4.49	4.33
Total Debt/Tangible Net Worth	Times	1.32	1.56
PBDIT/Interest	Times	5.05	4.09

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Aug 2021	Term Loan	Long Term	0.10	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	3.66	ACUITE BBB Stable (Assigned)
	Packing Credit	Long Term	26.00	ACUITE BBB Stable (Assigned)
	Working Capital Term Loan	Long Term	4.24	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	30-06-2019	10	30-06-2025	3.11	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	30-11-2019	10	31-08-2023	0.08	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	4.81	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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