



Press Release
Binayak Hi Tech Engineering Private Limited
August 02, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.09	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	34.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	46.09	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of **'ACUITE BBB' (read as ACUITE triple B)** on the Rs. 34.00 Cr bank facilities of Binayak Hi Tech Engineering Private Limited (BHTEPL). The outlook remains **'Stable'**.

Acuite has assigned the long-term rating of **'ACUITE BBB' (read as ACUITE triple B)** to the Rs. 12.09 Cr bank facilities of Binayak Hi Tech Engineering Private Limited (BHTEPL). The outlook is **'Stable'**.

Rationale for reaffirmation of the rating

The rating reaffirmation factors in the augmentation in business risk profile of the company marked by increase in the scale of operations along with improvement in the profitability margins. BHTEPL has generated revenues of Rs.151.73 Cr in FY2023 as against Rs.139.65 Cr in FY2022 and Rs.87.30 Cr in FY2021, thereby, registering a CAGR of 32.18 per cent over the last two years. The rating also draws comfort from established track record of operations of more than two decades and experienced management which helped the company in establishing long term relationships with its customers especially from the international market.

The rating also takes into account the adequate liquidity position and above average financial profile of the company as reflected by the comfortable gearing and healthy debt coverage indicators.

These strengths are, however, offset by the company's working capital intensive nature of operations and the exposure to risks related to customer concentration.

About the Company

Incorporated in 1995, Binayak Hi Tech Engineering Private Limited (BHTEPL) is engaged in the manufacturing of landscaping products namely cast iron / ductile iron manhole covers & gratings, fabricated mild steel manhole covers & gratings, ornamental castings like garden benches, tree gates, designer cast bamboos, fencing and others. The company is promoted by Mr. Mahesh Kumar Jhunjunwala, Mrs. Kiran Jhunjunwala, Mr. Atul Jhunjunwala and Mrs. Priyanka Jhunjunwala. The company's clientele is geographically distributed throughout the world, reducing the risk of geographic concentration. BHTEPL is engaged in exporting the products to more than 20 countries mainly USA, UK, Europe, Middle East, Africa and Australia.

The company is well versed with international standards such as BS EN, ASTM, ASSM and DIN.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of BHTEPL to arrive at

the rating.

Key Rating Drivers

Strengths

Experienced management and established relationship with customers

BHTEPL has been operating for more than two decades supported by the expertise of Mr. Mahesh Kumar Jhunjhunwala and Mr. Atul Jhunjhunwala who possess more than three decades of industry experience. The extensive experience of the management along with the established track record of operations has aided the company in establishing strong and healthy connections with the international customers.

Acuité believes that the experienced management and the long standing operations will continue to benefit the company going forward.

Stable business risk profile

The company has witnessed steady improvement in the scale of operations and has generated revenues of Rs.151.73 Cr in FY2023 as against Rs.139.65 Cr in FY2022 and Rs.87.30 Cr in FY2021, thereby, registering a CAGR of 32.18 per cent over the last two years. The increase in the operating income is supported by the regular orders and the timely execution of it coupled with the healthy capacity utilisation levels ranging between 85-90 per cent. The growth in the operating income is further supported by the company's established market presence and steady demand for the products prevailing in the international market.

Moreover, the operating margin of the company improved to 9.35 per cent in FY2023 from 8.31 per cent in FY2022 on account of relaxation in the freight costs and decrease in the sales promotion expenses. Also, the PAT margin rose to 5.40 per cent in FY2023 as compared to 4.49 per cent in FY2022 due to decrease in the interest costs owing to reduction in the debt levels. The increase in profitability margins translated into healthy Return on Capital Employed (ROCE) of the company, which stood at 22.21 per cent as on March 31, 2023 as compared to 19.06 per cent as on March 31, 2022.

Acuité believes that, the business risk profile of the company will continue to improve further backed by the continuous order flow and healthy execution of it followed by the ability of BHTEPL to pass on the rise in its input costs and protect any sharp erosion in margins.

Above average financial risk profile

The company's above average financial risk profile is marked by moderate yet increasing net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.34.17 Cr. as on March 31, 2023 from Rs.26.29 Cr. as on March 31, 2022, on account of retention of profits. Gearing of the company improved to 0.66 times as on March 31, 2023 as compared to 1.32 times as on March 31, 2022 due to reduction in the total debt burden. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.10 times as on March 31, 2023 as against 1.94 times as on March 31, 2022. Further, the healthy debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 6.92 times in FY2023 as against 5.05 times in FY2022 and Debt Service Coverage Ratio (DSCR) at 2.63 times in FY2023 as against 2.45 times in FY2022. The improvement in the credit metrics is on account of increase in the accruals as against the minimal debt level. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.41 times as on March 31, 2023.

Acuité believes that, going forward, the financial risk profile of the company will remain above average 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 moderate but improving Gross Current Assets (GCA) days of 106 days as on March 31, 2023 as compared to 145 days as on March 31, 2022. The moderate GCA days are due to

improvement in the debtor period which stood at 40 days as on March 31, 2023 as compared to 74 days as on 31st March 2022. Moreover, the inventory period stood comfortable at 47 days as on 31st March, 2023 against 59 days in the previous year.

Acuité believes that, going forward, the working capital cycle of the company will remain around the similar levels as evident from the existing collection mechanism and comfortable inventory levels over the medium term.

Customer concentration risk

The company's revenues are highly concentrated to the extent of ~48.65 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. 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

- Sustained growth in revenue along with improvement in profitability margins
- Sustenance of the capital structure
- Elongation of working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals which stood at Rs.9.27 Cr. in FY2023 as against long term debt repayment of only Rs.2.25 Cr during the same period. The fund based limit utilization stood low at 45 per cent over the six months ended May, 2023. The cash and bank balances of the company stood at Rs.5.66 Cr. as on March 31, 2023 as compared to Rs. 3.72 Cr. as on March 31, 2022. Further, the current ratio stood moderate at 1.44 times as on March 31, 2023. However, the working capital management is intensive in nature marked by Gross Current Assets (GCA) days of 106 days as on March 31, 2023 as compared to 145 days as on March 31, 2022.

Acuité believes that, going forward, the liquidity position will remain adequate supported by the gradually improving 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 improving business risk profile and the above average financial risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its scale of operations along with the liquidity profile and working capital management. 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

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	151.73	139.65
PAT	Rs. Cr.	8.19	6.27
PAT Margin	(%)	5.40	4.49
Total Debt/Tangible Net Worth	Times	0.66	1.32
PBDIT/Interest	Times	6.92	5.05

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Aug 2022	Term Loan	Long Term	0.08	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	3.11	ACUITE BBB Stable (Reaffirmed)
	Packing Credit	Long Term	26.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.81	ACUITE BBB Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	4.23	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB Stable Assigned
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.77	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.09	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Geeta Karira Analyst-Rating Operations Tel: 022-49294065 geeta.karira@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.