



Press Release
Binayak Hi Tech Engineering Private Limited
September 27, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	46.09	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. 46.09 Cr. bank facilities of Binayak Hi Tech Engineering Private Limited (BHTEPL). The outlook remains '**Stable**'.

Rationale for rating

The rating reaffirmation reflects benefits derived in business from experienced management and above average financial risk profile. The company has witnessed a decline in revenue to Rs. 106.15 Cr. in FY2024 as compared to revenues of Rs. 151.73 Cr. in FY2023 and Rs. 139.65 Cr. in FY 2022. The decline is attributed to factors such as impact on demand due to less economic growth and recession in some of its major markets, increase in raw material prices and increase in the freight cost due to shipping issue. The rating is further constrained by the intensive working capital requirement as reflected by high Gross Current Asset (GCA) days. However, these issues are partially offset by the well-established customer base, including government. The rating also factors in order book of the Company which stood at Rs. 45.35 Cr. as on 31st July, 2024.

About the Company

Incorporated in 1995, Binayak Hi Tech Engineering Private Limited (BHTEPL) is West Bengal based 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 Mrs. Kiran Jhunjhunwala, Mr. Atul Jhunjhunwala and Mrs. Priyanka Jhunjhunwala. 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.

Unsupported Rating

Not Applicable

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. Atul Jhunjunwala who possess years 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.

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.36.28 Cr. as on March 31, 2024 from Rs.34.17 Cr. as on March 31, 2023, on account of retention of profits. Gearing of the company remained steady to 0.67 times as on March 31, 2024 as compared to 0.66 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.02 times as on March 31, 2024 as against 1.10 times as on March 31, 2023. Further, the healthy debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 5.71 times in FY2024 as against 6.92 times in FY2023 and Debt Service Coverage Ratio (DSCR) at 1.90 times in FY2024 as against 2.63 times in FY2023. The slight decline in the credit metrics is on account of decrease in the accruals as against the minimal debt level. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.24 times as on March 31, 2024. 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

Declining business risk profile

The company has witnessed decline in the scale of operations and has generated revenues of Rs.106.15 Cr. in FY2024 as against Rs.151.73 Cr. in FY2023 and Rs.139.65 Cr. in FY2022. The decrease in the operating income is due to the impact on demand of the company's products in some of its major markets, increase in raw material prices and increase in freight costs due to shipping. The decline in the operating income is partially offset by the company's established market presence and improving demand for the products in the ongoing year. Moreover, the operating margin of the company declined to 8.79 per cent in FY2024 from 9.35 percent in FY2023 on account of increase in raw material prices and increase in the freight costs. Also, the PAT margin declined to 4.29 per cent in FY2024 as compared to 5.40 per cent in FY2023. The decrease in profitability margins translated into declining Return on Capital Employed (ROCE) of the company, which stood at 13.94 percent as on March 31, 2024 as compared to 22.21 percent as on March 31, 2023. Acuité believes that, the business risk profile of the company will improve 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.

Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by moderate but increasing Gross Current Assets (GCA) days of 165 days as on March 31, 2024 as compared to 106 days as on March 31, 2023. The moderate GCA days are due to increase in the debtor period which stood at 64 days as on March 31, 2024 as compared to 40 days as on 31st March 2023. Moreover, the inventory period increased but stood comfortable at 65 days as on 31st March, 2024 against 47 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 ~48.63 percent 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

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

Liquidity Position

Adequate

The company's liquidity is adequate marked by steady net cash accruals which stood at Rs.5.79 Cr. in FY2024 as against long term debt repayment of only Rs.2.25 Cr. during the same period. The fund based limit utilization stood low at ~ 49 per cent over the six months ended July, 2024. The cash and bank balances of the company stood at Rs.5.55 Cr. as on March 31, 2024 as compared to Rs. 5.66 Cr. as on March 31, 2023. Further, the current ratio stood moderate at 1.43 times as on March 31, 2024. However, the working capital management is intensive in nature marked by Gross Current Assets (GCA) days of 165 days as on March 31, 2024 as compared to 106 days as on March 31, 2023. 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 improvement in 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 or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	106.15	151.73
PAT	Rs. Cr.	4.56	8.19
PAT Margin	(%)	4.29	5.40
Total Debt/Tangible Net Worth	Times	0.67	0.66
PBDIT/Interest	Times	5.71	6.92

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

Not Applicable

Any other information

None

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
02 Aug 2023	PC/PCFC	Long Term	26.00	ACUITE BBB Stable (Reaffirmed)
	PC/PCFC	Long Term	12.00	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	4.23	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	3.77	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.09	ACUITE BBB Stable (Assigned)
08 Aug 2022	PC/PCFC	Long Term	26.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	3.11	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.08	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.81	ACUITE BBB Stable (Reaffirmed)
11 Aug 2021	Working Capital Term Loan	Long Term	4.24	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	0.10	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	3.66	ACUITE BBB Stable (Assigned)
	PC/PCFC	Long Term	26.00	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 avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2026	Simple	1.66	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2024	Simple	0.37	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	38.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.16	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2025	Simple	0.03	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2027	Simple	1.87	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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