

Press Release

Bharat Wire Ropes Limited

April 20, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	198.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	25.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	223.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and Short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.223.00 Cr. bank facilities of Bharat Wire Ropes Limited (BWRL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating draws comfort from BWRL's improved operating performance in 9MFY2022 and overall improved financial risk profile, post the implementation of debt restructuring resolution plan in H2FY2021. The Company generated revenue of Rs.276.49 Cr in 9MFY2022 as against Rs.250.17 Cr in FY2021 and Rs.257.72 Cr in FY2020. The growth in FY2022 is driven by improvement in volumes as well as realizations. The overall gearing stood at 0.63 times in March 31, 2021 as against 17.36 times as on March 31, 2020. The improvement in capital structure is mainly on account of conversion of debt of Rs. 382.66 Cr to 38266 Non-cumulative, Non-Voting 0.01% Compulsory Convertible Preference Shares of face value Rs. 10/- each fully paid up at an issue price of Rs. 1,00,000 under the debt restructuring resolution plan.

About the Company

Maharashtra based, Bharat Wire Ropes Limited is a listed entity, engaged in the business of manufacturing of all types of wire ropes, structural strands, slings and wires which find its application in general engineering, fishing, elevators, cranes, material handling, power transmission, suspension bridges, onshore/ offshore exploration, ports and shipping. Incorporated in 1986 by the Shah family, Maharashtra based BWRL was acquired by the current promoters, Mr. M.L. Mittal and family through an SPV in July, 2010. The Company was listed on the bourses in April 2016 when it raised Rs.70 Cr for 17.5 million equity shares. The funds raised were primarily utilized towards setting up of its 66000MTPA Chalisgaon manufacturing plant. BWRL also has 12000MTPA manufacturing plant at Atgaon, Maharashtra.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of BWRL to arrive at

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the rating.

Key Rating Drivers

Strengths

Established track record of operations with experienced management

Incorporated in the year 1986, Maharashtra based BWRL is a listed entity promoted by Murarilal Ramsukh Mittal, Mayank Mittal and other Mittal family members. The operations of the company are managed by the promoters as well as a team of experienced senior management personnel who are further ably supported by a strong line of mid-level managers. The extensive experience of the promoters has helped the company to establish long and healthy relationships with reputed customers and suppliers over the years. The key customers of the company include names such as Shipping Corporation of India, Larsen and Toubro Ltd, Steel Authority of India Ltd, Indian Railway, Kalpataru Power Transmission Ltd and Oil and Natural Gas Corporation Ltd.

Acuité believes that the company will continue to benefit from the extensive experience of its management and its established track record of operations.

Improvement in operating performance

The Company generated revenue of Rs.276.49 Cr in 9MFY2022 as against Rs.250.17 Cr in FY2021 and Rs.257.72 Cr in FY2020. The marginal decline in FY2021 was mainly to due to impact of Covid-19 induced lockdown in Q1FY2021. The growth in 9MFY2022 is both value and volume driven. Acuite expects BWRL to close the year above Rs.330 Cr. BWRL's operating profitability has been improving year on year driven by higher realizations and reducing operating costs. The operating margins stood at 13.12 percent in FY2021 as against 11.32 percent in FY2020 and 7.92 percent in FY2019. BWRL's net profitability stood at (6.71) percent in FY2021 as against (23.65) percent in FY2020 and (18.51) percent in FY2019. The improvement in net profitability in FY2021 is driven by lower interest costs. Due to implementation of the debt restructuring plan H2FY2021 onwards, the total finance costs in FY2021 came down to Rs.34.23 Cr from Rs.89.69 Cr in FY2020 and Rs.73.01 Cr in FY2019, as the total debt reduced to Rs. 273.90 Cr as on March 31, 2021 as against Rs.673.99 Cr as on March 31, 2020. In 9MFY2022, the Company operating profitability and net profitability margins stood at 14.94 percent and 2.14 percent respectively.

Moderate financial risk profile

BWRL has a moderate financial risk profile, marked by moderate capital structure and modest debt protection metrics. As on March 31, 2021 BWRL's overall gearing stood at 0.63 times as against 17.36 times as on March 31, 2020 and 6.14 times as on March 31, 2020. In H2FY2021, BWRL implemented a debt restructuring resolution plan, under which it converted Rs.382.66 Cr (part of its total outstanding debt as on September 30, 2021) into 38266 Non-cumulative, Non-Voting 0.01% Compulsory Convertible Preference Shares of face value Rs. 10/- each fully paid up at an issue price of Rs. 1,00,000 (treated as part of tangible networth). It also issued equity shares to lenders and existing promoters as a part of the plan. The above transactions majorly improved the tangible networth of the Company, as it stood at Rs.434.87 crore as on 31 March, 2021 as against Rs.38.83 crore as on 31 March, 2020. The total debt outstanding of Rs.273.90 crore as on March 31, 2021 consists of working capital borrowings of Rs.55 crore, unsecured loan from promoters and others of Rs.75.15 crore and long-term bank borrowings of Rs.139.20 crore. With reduced debt and consequent moderation of related costs, the coverage ratios improved. BWRL's interest coverage Ratio (ICR) stood at 0.97 times for FY21 against 0.33 times for FY20. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.02 times for FY21 as against (0.06) times for FY2020. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 0.60 times as on March 31, 2021 against 17.17 times as on March 31, 2020.

Acuité believes that the financial risk profile of the company is likely to remain moderate over the medium term on account of healthy growth in scale of operations with moderate profitability and no major debt funded capex plan.

Weaknesses

Working Capital Intensive Nature of Operations

BWRL operations are working capital intensive, as reflected by gross current asset days of 238 days as on March 31, 2021 as against 217 days as on March 31, 2020. The high GCA days are majorly on account of high inventory levels of 109 days as on March 31, 2021 compared against 124 days as on March 31, 2020. The debtor days are moderate at 58 days as on March 31, 2021 as against 44 days as on March 31, 2020. BWRL's main input material is wire rods which it procures largely from Electrosteels Steels Limited, JSW Steels Limited etc. It makes majority of its procurement against advance payments or letter of credits or receives a limited credit period of 15-20 days.

Acuité believes BWRL's ability to restrict further elongation in working capital cycle will be a key rating sensitivity.

Susceptible to fluctuations in raw material prices

BWRL's operations are exposed to inherent risks associated with availability of raw materials, fluctuations in prices, and changes in government regulations. The company is engaged in the business of manufacturing of all types of wire ropes, structural strands, slings and wires which find its application in general engineering, fishing, elevators, cranes, material handling, power transmission, suspension bridges, onshore/ offshore exploration, ports and shipping. The prices of these raw materials are volatile in nature; hence, the profitability is susceptible to the ability of the company to pass on the same to its customers.

Rating Sensitivities

- Ability to sustain the improved operating performance
- Elongation in working capital cycle
- Further improvement in scale of operations and profitability margins.

Material covenants

None

Liquidity Position: Adequate

BWRL has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The cash accruals of the company are estimated to be in the range of Rs.33-50 crore during 2022-24 period while its matured debt obligations is estimated to be in the range of Rs.30-40 crore during the same period. The company's operations are working capital intensive marked by GCA days of 238 days as on March 31, 2021. Furthermore, the company maintains unencumbered cash and bank balances of Rs.0.49 crore as on March 31, 2021 and the current ratio also stood moderate at 1.79 times as on March 31, 2021. Acuité believes that the liquidity of the Company is likely to remain adequate over the medium term on account of comfortable cash accruals against debt repayment obligations over the medium term constrained to some extent by working capital intensive nature of operations.

Outlook: Stable

Acuité believes that BWRL will maintain a 'Stable' outlook in the medium term as it will continue to benefit from its established track record of operations, experienced management and moderate financial risk profile. The outlook may be revised to "Positive", if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to "Negative", if company's generates lower-than-anticipated

cash accruals thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	250.17	257.72
PAT	Rs. Cr.	(16.79)	(60.96)
PAT Margin	(%)	(6.71)	(23.65)
Total Debt/Tangible Net Worth	Times	0.63	17.36
PBDIT/Interest	Times	0.97	0.33

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

BWR D (Reaffirmed / ISSUER NOT COOPERATING and simultaneously Withdrawn) as per press release dated March 14, 2022.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.68	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.33	ACUITE BBB- Stable Assigned
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.70	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.29	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	External Commercial Borrowing	Not Applicable	Not Applicable	Not Applicable	20.64	ACUITE BBB- Stable Assigned

State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.86	ACUITE A3 Assigned
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A3 Assigned
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.42	ACUITE A3 Assigned
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	11.22	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.56	ACUITE BBB- Stable Assigned
Exim Bank	Not Applicable	Term Loan	Not available	9	31-03-2032	5.78	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	9	31-03-2032	34.18	ACUITE BBB- Stable Assigned
Central Bank of India	Not Applicable	Term Loan	Not available	9	30-06-2030	16.10	ACUITE BBB- Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	9	31-03-2032	51.60	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	9	31-03-2032	13.14	ACUITE BBB- Stable Assigned

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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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