



Press Release
BHARAT WIRE ROPES LIMITED
 July 07, 2023
Rating Upgraded

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

Rating Rationale

Acuite has upgraded the long-term rating to 'ACUITE BBB' (read as ACUITE triple B) from 'ACUITE BBB-' (read as ACUITE triple B minus) and Short term rating to 'ACUITE A3+' (read as ACUITE A three plus) from '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 upgrade

The rating upgrade factors sustained improvement in operating and financial performance of GAPL over the last three years. The revenue of the company grew at a compounded annual growth (CAGR) of 33.04% over the last three years ended FY2023. The revenue of the company improved to Rs. 589.06 Cr in FY2023 as against Rs.410.68 Cr in FY2022 and Rs.250.17 Cr in FY2021. The improvement in revenue is on account of increase in volume sold and better realisations. The operating profit margin of the company expanded by 842 bps to 23.57% in FY2023 as against 15.15 % in FY2022.

In line with the improvement in operating performance, the financial performance of the firm also recorded an improvement marked by reducing gearing and improving debt protection metrics. The overall gearing of the firm reduced to 0.32 times in FY2023 from 0.60 times in FY2022. The Total Outside Liabilities to tangible net-worth ratio of the firm stood at 0.37 times as on March 31, 2023. Driven by improving profitability and reducing total debt, the interest coverage of the firm improved to 6.28 times in FY2023 as against 2.68 times in FY2022. With no major debt funded capital expenditure planned over the medium term, Acuite expects the financial risk profile of the firm to remain moderate.

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 6000MTPA manufacturing plant at Atgaon, Maharashtra.

Analytical Approach

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

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 revenue of the company grew at a compounded annual growth (CAGR) of 33.04% over the last three years ended FY2023. The revenue of the company improved to Rs. 589.06 Cr in FY2023 as against Rs.410.68 Cr in FY2022 and Rs.250.17 Cr in FY2021. The improvement in revenue is on account of increase in volume sold and better realisations. The operating profit margin of the company expanded by 842 bps to 23.57% in FY2023 as against 15.15 % in FY2022.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by moderate networth, low gearing and healthy debt-protection metrics. The tangible networth of the company improved to Rs. 559.45 Cr. as on March 31, 2023 from Rs. 451.38 Cr. as on March 31, 2022 on account of accretion to reserves. The company follows a moderate leverage policy reflected in its peak gearing level of 0.32 times in FY2023 as against 0.60 times in FY2022. The total debt outstanding as on March 31, 2023 of Rs. 181.69 Cr. comprises of long term debt obligations of Rs. 127.38 Cr. , unsecured loans from promoters/directors of Rs. 2.81 Cr. , Inter corporate deposits of Rs.19.16 Cr. and working capital borrowing of Rs. 32.34 Cr. The debt-protection metrics of the company are healthy marked by interest coverage ratio (ICR) of 6.28 times in FY2023 as

against 2.68 times in FY2022 and debt-service coverage ratio (DCSR) of 3.59 times in FY2023 as against 2.09 times in FY2022. The total outside liabilities to total tangible net worth (TOL/TNW) improved to 0.37 times in FY2023 as against 0.61 times in FY2022.

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

The operations of the company are of working capital intensive nature marked by moderate

GCA days and high working capital utilisation. The Gross Current Asset (GCA) days stood at 164 for FY2023 as against 191 days for FY2022. The inventory days stood at 89 days for FY2023 as against 84 days for FY2022. The debtor days stood at 30 days for FY2023 as against 39 days for FY2022. The average bank limit utilisation of the fund based working capital limits stood at 92% for the year FY2023 and of the non-fund based working capital limits stood at 77.23%.

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

Material covenants

None

Liquidity Position

Adequate

The liquidity position of the company is adequate marked by adequate net cash accruals against the maturing debt obligations. The company generated net cash accruals of Rs.

82.91 crore against maturing debt obligation of Rs. 7.11 crore. Going ahead, the net cash accruals are expected to be in the range of Rs. 91.93-105.34 crore against the debt obligations of Rs. 6.69-13.39 crore during the period FY2024-2025. The current ratio of the company stood at 3.67 times in FY2023 and the unencumbered cash and bank balance stood at Rs.0.04 crore as on March 31,2023.

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

Acuite 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	589.06	410.68
PAT	Rs. Cr.	62.25	13.67
PAT Margin	(%)	10.57	3.33
Total Debt/Tangible Net Worth	Times	0.32	0.60
PBDIT/Interest	Times	6.28	2.68

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>
- 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

In order to inform the investors about complexity of instruments, Acuité 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
20 Apr 2022	Cash Credit	Long Term	16.33	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	24.68	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	7.70	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	3.50	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	11.22	ACUITE A3 (Assigned)
	Term Loan	Long Term	34.18	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	7.42	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	2.86	ACUITE A3 (Assigned)
	Term Loan	Long Term	16.10	ACUITE BBB- Stable (Assigned)
	External Commercial Borrowing	Long Term	20.64	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	1.56	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.78	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	6.29	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	51.60	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	13.14	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.)
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Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.68	S U
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.33	S U
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.70	S U
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.29	S U
Union Bank of India	Not Applicable	External Commercial Borrowing	Not Applicable	Not Applicable	Not Applicable	Simple	20.77	S U
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.86	U
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	U

Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.42	U
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.22	U
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	12.75	S U
Exim Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.36	S U
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	30.94	S U
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.58	S U

Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	46.70	S U
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.90	S U

* The Lender name of the instrument : External Commercial Borrowing of Rs. 20.77 Cr. is Union Bank of India (UK) Ltd.

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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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