

## Bharat Wire Ropes Limited (Revised)

June 21, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	185.25	CARE BBB; Stable	Revised from CARE BBB-; Stable
Short Term Bank Facilities	25.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Bharat Wire Ropes Limited (BWRL) takes into account the improvement in the operational performance for the year FY23 (refers to April 01 to March 31) which was reflected in healthy growth in realisation per ton as well as PBILDT per ton. CARE believes that ability of the BWRL to sustain the PBILDT per ton in the medium term will be critical. Further, the ratings continue to derive strength from reputed and diversified end-user industry/customers, improvement in capital structure and debt coverage indicators in FY23, while also factoring in the experience of the promoter Mr. M. L. Mittal. The ratings, however, are constrained by working capital intensive nature of operations and susceptibility to volatility in raw material prices.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustainability of PBILDT per ton above Rs.20,000 (excluding subsidy income)
- Improvement in overall operations resulting into debt/PBILDT (excluding subsidy income) improving below 1.00x on sustained basis.

#### Negative factors

- Elongation of working capital leading to net working capital days deteriorating to above 120 days.
- Decline in operational metrics resulting into deterioration in total debt/PBILDT above 1.25x.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects the overall performance of the company to continue satisfactorily in the coming years.

### Detailed description of the key rating drivers:

#### Key strengths

##### Improvement in scale of operations in FY23; growth momentum likely to continue in FY24

BWRL's scale of operations grew significantly with 44% of Y-o-Y growth from Rs.410.68 crore in FY22 to Rs.589.06 crore in FY23 supported by growth in volumes as well as realisations. BWRL's sales in terms of volume improved by 12% y-o-y basis in FY23. Further, BWRL has demonstrated healthy realisation per ton with an increase of 29% y-o-y basis in FY23. Management stated that in FY23 BWRL could offer its product at a premium on account of increased acceptability of their product in the international market. Going forward, CARE Ratings expects BWRL's volumes to improve on account of capex push from government and private players which has led to improvement in demand outlook for the FY24-FY25 period.

##### Healthy PBILDT per tonne in FY23; cost rationalisation efforts in FY24 expected to improve PBILDT

BWRL's PBILDT per tonne has improved very sharply in FY23 on y-o-y basis on account of better realisations during the year along with better absorption of fixed overheads due to increased volumes. In FY24, management plans to rationalise its power cost by sourcing power through a captive renewable energy scheme. Moderation in steel prices in FY24 is expected to support improvement in profitability in the current year. CARE Ratings believes that in the midterm, ability of BWRL to maintain PBILDT per ton at FY23 levels will be a key monitoring factor.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### **Improvement in capital structure; Extension of subsidy scheme till October 2025 likely to benefit deleveraging plans in mid term:**

The company's capital structure has improved in FY23 with an overall gearing at 0.31x as on March 31, 2023 as against 0.61x as on March 31, 2022. Improvement in overall gearing is on account of accretion of profits and repayment of ICDs worth Rs.44.97 crore which was achieved by infusing equity through preferential allotment in March 2023. Increase in the absolute operating profit and decline in total debt during FY23 has improved BWRL's total debt/PBILDT which stood at 1.31x as on March 31, 2023 (PY: 4.45x). BWRL's interest coverage ratio improved in FY23 and continues to remain comfortable at 6.25x as on March 31, 2023 (PY: 2.66x).

As per the management, the government has extended PSI subsidy scheme till October 2025 which was expected to expire in October 2023. As per resolution plan, it is mandatory for the company to prepay term loans utilising 50% of the PSI subsidy amount as and when received from the Government of Maharashtra. CARE Ratings believes that the receipt of subsidy and prepayment of term loans as per terms of the resolution plan will benefit the company in improving its debt profile in the medium term.

### **Reputed and diversified end-user industry/customers**

The Company has a diverse product mix which includes General Purpose Ropes, Fishing Ropes, Crane Ropes, Structural Ropes, Elevator Ropes, Mining Ropes, Oil & Gas Ropes & Shipping Ropes. In addition to the above Mechanically Spliced Slings, Hand Spliced Slings, Earth Wires, Stay Wires, Guy Wires and Spiral Strands. The Company caters to a rich mix of clients ranging from Overseas Consumers, Private Players, the Indian Defence Segment and Government and Semi – Government Organizations. Overseas sales are made via deemed exports through a single dealer of BWRL to USA, Singapore, Australia, South Africa, Kuwait, New Zealand, Vietnam, Bangladesh and Nepal. CARE Ratings believe that BWRL enjoys a better realisation in export markets where it has also established a good reputation which also allows it to pass on input cost increases.

### **Experienced promoters, supported by professional management**

Mr. Murarilal Mittal, aged about 62 years, is the key promoter and the Managing Director of BWRL. Mr. Mittal has overall experience of 32 years and holds a degree in Bachelor of Commerce and is also a fellow member of the Institute of Chartered Accountants of India (ICAI). Prior to acquiring BWRL, Mr. Mittal was associated with the Welspun Group for almost 23 years, in various positions inter-alia as the Executive Director on the board of several Welspun Group companies, including Welspun Corp Limited. Mr. Mayank Mittal, aged about 36 years and son of Mr. Murarilal Mittal, is the Joint Managing Director of the company. He has an overall experience of more than 10 years in the industry and is involved in all the strategic decisions of the company. The promoters are well supported by diverse board of directors and professional management across all levels.

### **Key weaknesses**

#### **Working capital intensive nature of operations**

BWRL's operations are working capital intensive in nature. The company procures steel wire rods from Electrosteel Steel Limited, JSW Steel and other large players. As per industry practice, BWRL opens LC for purchase of raw material and receives credit period of 15-30 days. Company generally maintains inventory for 60-90 days, depending upon orderbook and expected demand from end customers. BWRL's collection period varies from 30 days to 90 days, depending upon end customer. BWRL offers credit period of 30-60 days for government/semi-government clients, 60 days to institutional clients in domestic market. For export market, company receives only 30% in advance before shipment and balance through sight LC or usance. Hence, overall operation remains working capital intensive. Company's fund-based working capital limits were 85% utilized for 12-month period ending in March, 2023.

#### **Susceptibility to volatile raw material prices**

BWRL's profitability remains susceptible to volatility in raw material prices. Steel is the primary raw material for the company, which displayed a steady increase during FY23 before moderating towards the year end. Hence, BWRL's input costs had increased in FY23. However, since the company's products are highly engineered as well as customised to client requirements, BWRL is able to pass on the increase in raw material prices to its clients, thereby partly mitigating the risk of volatility in raw material prices.

#### **Liquidity: Adequate**

BWRL's liquidity profile is marked by positive cash flow from operations in FY23 on account of healthy gross cash accruals of Rs.116.73 crore. This also resulted in lowering working capital utilisation to 85% for Apr-22 to Mar-23 period as against 100% for Apr-21 to Mar-22 period. The company is also eligible for state subsidy wherein it has received cumulative subsidy disbursement confirmation of Rs.36.53 crore till end FY23. The current ratio stood at 3.82x as on March 31, 2023. Hence, BWRL's liquidity profile remains adequate for near term.

## Environment, social, and governance (ESG) risks

In CARE Ratings' assessment, the environmental risks faced by the company are minimal on account of the fact that it has zero liquid discharge, having installed RO-based water purification system, and considering the fact that the company gets spent acid processed to obtain reusable acid. Additionally, solid waste in the form of lumps is handed over to the government for disposal. The company has started purchasing power from a captive solar power scheme, which not only will help it reduce power costs from FY24 onwards, but also reduce its carbon footprint. In terms of social factors also, the company does not appear to face risks considering the employment generated in Chalisgaon area and given that a 5-year wage agreement with workers has been entered into in late FY23. Governance standards appear to be adequate, based on compliance with listing agreements, reporting standards and disclosures by the company.

## Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Non Ferrous Metal](#)

[Policy on Withdrawal of Ratings](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Aluminium, Copper & Zinc Products

Incorporated in 1986, Bharat Wire Ropes Ltd. (BWRL) is a manufacturer of various kinds of metal wire ropes (used in lifting equipment like cranes, elevators etc.), wire rope assemblies & defence products. The company was earlier managed by the Shah Family and has been taken over by the current promoters, Mr. M.L. Mittal, Mentors Capital Limited (investor) and Gyan Shanker Investment & trading Co. Pvt. Limited (investor), in July, 2010. The new management comprises professionals having noteworthy industry experience. The company is enlisted with various government and semi government organizations namely Indian Railways, Shipping Corporations of India, ONGC, Coal India Limited and its subsidiaries, BHEL, major Port Trusts, Electricity Boards, etc. Apart from domestic market, company also exports (deemed exports) to countries like South Africa, Nepal, USA, Vietnam etc through its dealer. Wire Ropes have various critical applications in industries like Oil and Gas and are subject stringent quality controls. BWRL's products are approved by reputed agencies like Bureau of Indian Standards, American Bureau of Shipping etc. BWRL has two manufacturing plants, one at Atgoan (capacity of 6,000 MTA) and one at Chalisgaon (capacity of 66,000 MTA). The company is listed on BSE and NSE.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	250.69	410.68	589.06
PBILDT	33.20	62.22	138.82
PAT	-16.79	13.67	62.25
Overall gearing (times)	0.63	0.61	0.32
Interest coverage (times)	0.97	2.66	6.25

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	55.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	March 2032	130.25	CARE BBB; Stable
Non-fund-based - ST-BG/LC		-	-	-	25.00	CARE A3

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)CARE D; ISSUER NOT COOPERATING* (23-Mar-22) 2)Withdrawn (23-Mar-22)	1)CARE D; ISSUER NOT COOPERATING* (12-Jan-21)
2	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	1)CARE D; ISSUER NOT COOPERATING* (23-Mar-22) 2)Withdrawn (23-Mar-22)	1)CARE D; ISSUER NOT COOPERATING* (12-Jan-21)
3	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	-	1)CARE D; ISSUER NOT COOPERATING* (23-Mar-22) 2)Withdrawn (23-Mar-22)	1)CARE D; ISSUER NOT COOPERATING* (12-Jan-21)

4	Fund-based - LT-Term Loan	LT	-	-	-	-	1)CARE D; ISSUER NOT COOPERATING * (23-Mar-22)  2)Withdrawn (23-Mar-22)	1)CARE D; ISSUER NOT COOPERATING * (12-Jan-21)
5	Fund-based - LT-Term Loan	LT	130.25	CARE BBB; Stable	-	1)CARE BBB-; Stable (25-Apr-22)	-	-
6	Fund-based - LT-Cash Credit	LT	55.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (25-Apr-22)	-	-
7	Non-fund-based - ST-BG/LC	ST	25.00	CARE A3	-	1)CARE A3 (25-Apr-22)	-	-

\*Long term/Short term.

### Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not applicable

### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

## Contact us

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