

## Bharat Wire Ropes Limited

April 25, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	200.00	<b>CARE BBB-; Stable</b> (Triple B Minus; Outlook: Stable)	<b>Assigned</b>
Short Term Bank Facilities	25.00	<b>CARE A3</b> (A Three)	<b>Assigned</b>
<b>Total Bank Facilities</b>	<b>225.00</b> <b>(Rs. Two Hundred Twenty-Five Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Bharat Wire Ropes Limited (BWRL) derives strengths from experienced promoters and professional management, improvement in scale of operations in last 5 years, improvement in capital structure on account of implementation of resolution plan, satisfactory debt repayment track record post RP implementation, diversified and reputed customer base. The ratings, however, are constrained by recent history of default and restructuring, working capital intensive nature of operations, modest debt coverage indicators and susceptibility to volatility in raw material prices and foreign exchange fluctuation rates.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operation with turnover above Rs.800 crore on sustainable basis.
- Improvement in operating margin above 18% on sustainable basis.

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in operating margin below 12% on sustained basis.
- Deterioration in capital structure with overall gearing above 0.80x.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### 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 is having an 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. The promoters are well supported by diverse board of directors and professional management across all level.

##### Satisfactory servicing of debt obligations post restructuring

The company has shown satisfactory track record of debt repayments post restructuring. There were no delays in term loan servicing during April, 2021 to March, 2022. Further, the company has been making prepayments on account of availability of surplus funds through receipt of PSI scheme. As per resolution plan, the company directs 50% of subsidy receipt towards prepayment of term loan.

##### Improvement in scale of operations and margins in last 3 years

Post commencing operations from Chalisgaon plant, BWRL's scale of operations has improved significantly. For FY17-FY21 period, BWRL's top-line grew with CAGR of ~31% from Rs.65 crore in FY17 to Rs.250 crore in FY21. On YoY basis for FY21, company's revenue growth remained muted on account of impact of COVID-19 pandemic during Q1FY21. Company's growth is supported by growth in volume as well as growth in realisations. Since the company manufactures engineered products from steel, BWRL is able to pass on entire increase in raw material prices to customers. On account of same, BWRL's sales realisation has increased from Rs.95/kg in FY19 to Rs.112/kg in 11M-FY22. Uptick in steel industry as well as capex push from government and private players has led to improvement in demand outlook for FY21-FY23 period. For 9MFY22, BWRL has registered net sales of Rs.276 crore with operating profit of Rs.41.29 crore.

BWRL's operating margins have witnessed an improvement in last 3 years. Company's Chalisgaon plant is integrated in nature with latest machinery. Hence, BWRL is able to derive operational synergies from this plant. Atgaon plant has old machineries and operations are not integrated with each machinery operates independently. On account of increase in scale of operations

<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

and deriving benefit of economies of scale, the company is able to improve operating margins from 8.62% in FY19 to 13.27% in FY21. Further improvement in scale of operations is expected to aid company's operating margins in near term. BWRL's operating margins are expected remain in the range of 14%-15% in near term.

Company is able to reduce interest burden pursuant to implementation of resolution scheme, leading to improvement in PAT margin. Further, the company has stabilised its operations post restructuring. Company's 9MFY22 PAT margin stood at 2.14% (post-restructuring) as against -24.87% for 9MFY21 (pre-restructuring). Going forward, same is expected to show improvement with stabilisation in business and finance operations of the company.

As on January 31, 2022, BWRL has confirmed orderbook of Rs.208.86 crore (~15,600 MT), to be executed in 3-6 months.

### **Reputed and diversified client base**

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 entire Indian Defence Segment and Government and Semi – Government Organizations. The Company exports its varied products to USA, Singapore, Australia, South Africa, Kuwait, New Zealand, Vietnam, Bangladesh and Nepal.

### **Key Rating Weaknesses**

#### **History of default and restructuring**

During FY15-17 period, the company had undertaken a significant debt-funded capex for capacity expansion at Chalisgaon. Further, the investment made for this project was eligible for PSI 2007- Mega Project Subsidy Incentive of Maharashtra Government. However, due to various factors such as time and cost overrun of the project, delay in sanction and disbursement of working capital facilities and significant increase in raw material prices by DCCO, company had faced challenges in scaling up operations in time to serve its debt obligations. The company had approached consortium of lenders for restructuring of debt to support business operations. Accordingly, lenders have worked out resolution plan with sustainable debt of Rs.225 crore and Compulsory Convertible Preference Shares of Rs.382 crore. The lenders have implemented resolution plan on March 31, 2021.

#### **Modest debt coverage indicators; albeit improvement in capital structure owing to Restructuring**

In past, BWRL's weak capital structure was marked by debt funded capex and small size of the company. However, post implementation of resolution plan (i.e. March 31, 2021), lenders have converted unsustainable debt portion into to Compulsory Convertible Preference Shares of Rs.382.66 crore and sustainable debt portion of Rs.225 crore considered for repayment. On account of same, BWRL's overall gearing improved from 17.35x as on March 31, 2020 to 0.63x as on March 31, 2021. Resolution plan was implemented on March 31, 2021. It is pertinent to note that CARE has considered CCPS portion as quasi equity for analysis. CCPS carries coupon rate of 0.1% payable on issue price. CCPS is issued upon conversion of unsustainable debt at Rs. 1,00,000 per CCPS, including face value of Rs.10 per CCPS. CCPS can be converted into equity shared only after one year from full repayment of sustainable term debt. Going forward, company does not have any plans of debt-funded capex. However, BWRL is expected to avail additional working capital limits, in line with resolution plan, to aid its incremental working capital required owing to increase in scale of operations. Hence, capital structure is expected to remain around current level. BWRL's debt coverage indicators remained weak during FY21 as company had implemented resolution plan on March 31, 2021. However, for 9MFY22, BWRL's interest coverage stood at 2.40x as against 0.36x for 9MFY21 (pre-restructuring). Going forward, debt coverage indicators are expected to show improvement, although will remain modest on account of elevated debt levels and interest cost.

#### **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 30% in advance before shipment and balance through sight LC or usance. On account of MoU with Bridon group, company offers credit period of 90 days. Hence, overall operation remains working capital intensive. Company's working capital limits remains fully utilized for 12-month period ending in March, 2022.

#### **Susceptibility to volatile raw material prices and foreign exchange rates**

BWRL's profitability remains susceptible to volatility in raw material prices. Steel is primary raw material for the company. On account of increase in steel prices, BWRL's input costs have also increased. However, company has engineered products, BWRL is able to pass on increase in raw material prices to customers. Hence, risk of volatility in raw material prices is partially mitigated. BWRL is deemed export company. The company is engaged in export sales through an authorised dealer, BWR Overseas Private Limited. Hence, risk of volatility in foreign exchange rates is partially mitigated.

#### **Liquidity: Adequate**

BWRL's liquidity profile is marked with modest cash and bank balance of ~Rs.3.5 crore and current ratio at 1.54x as on March 31, 2022. Company's working capital limits remains fully utilized for last 12-month period. Further, company has shown track record of 12 months of satisfactory repayment as per resolution plan, which was implemented on March 31, 2021. BWRL has scheduled repayment of Rs.5.12 crore as per Resolution plan against expected cash accruals of Rs.55 crore for FY23. Company

is further required to direct 50% of subsidy receipt towards prepayment of term loan. Thus, overall repayment obligation may increase on account of same. As on April 20, 2022, BWRL has received subsidy disbursement confirmation of amount Rs.24.79 crore. Hence, BWRL's liquidity profile remains adequate for near term.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Policy On Curing Period](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

#### About the Company

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 to countries like South Africa, Nepal, USA, Vietnam etc. Wire Ropes have various critical applications in industries like Steel, 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 12,000 MTA) and one at Chalisgaon (capacity of 66,000 MTA). The company is listed on BSE and NSE.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	258.02	250.69	276.49
PBILDT	29.31	33.20	41.29
PAT	-60.96	-16.79	5.92
Overall gearing (times)	17.35	0.63	NA
Interest coverage (times)	0.33	0.97	2.40

A: Audited, UA: Unaudited, NA: Not 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 for this company:** Annexure 4

#### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	2032	145.00	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	55.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	25.00	CARE A3

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
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)	1)CARE D; ISSUER NOT COOPERATING * (16-Jan-20)
2	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)Withdrawn (23-Mar-22) 2)CARE D; ISSUER NOT COOPERATING * (23-Mar-22)	1)CARE D; ISSUER NOT COOPERATING * (12-Jan-21)	1)CARE D; ISSUER NOT COOPERATING * (16-Jan-20)
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)	1)CARE D; ISSUER NOT COOPERATING * (16-Jan-20)
4	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (23-Mar-22) 2)CARE D; ISSUER NOT COOPERATING * (23-Mar-22)	1)CARE D; ISSUER NOT COOPERATING * (12-Jan-21)	1)CARE D; ISSUER NOT COOPERATING * (16-Jan-20)
5	Fund-based - LT-Term Loan	LT	145.00	CARE BBB-; Stable				
6	Fund-based - LT-Cash Credit	LT	55.00	CARE BBB-; Stable				
7	Non-fund-based - ST-BG/LC	ST	25.00	CARE A3				

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not applicable****Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of 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: Bank Lender Details for this Company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. 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.

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