

## Benara Bearings and Pistons Limited

April 26, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	47.01	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Short Term Bank Facilities	2.99	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>50.00</b> <b>(Rs. Fifty Crore Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 25, 2020, maintained the rating of Benara Bearings and Pistons Ltd (BBPL) under the 'issuer non-cooperating' category as BBPL had failed to provide information for monitoring of the rating. BBPL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated Feb 28, 2021, Feb 23, 2021, Feb 18, 2021, Feb 08, 2021 and numerous phone calls.

In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, banker could not be contacted.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

*The rating has been revised by considering non-availability of information and no due diligence was conducted due to non-cooperation by Benara Bearings and Pistons Limited with CARE's efforts to undertake a review of the rating outstanding. CARE views information unavailability risk as a key factor in its assessment of credit risk. Further, banker could not be contacted.*

The rating on the firm's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING/ CARE A4; ISSUER NOT COOPERATING.**

### Detailed description of the key rating drivers

*At the time of last rating on March 25, 2020 following were the rating strengths and weaknesses:*

#### Key Rating Weaknesses

#### ***Susceptibility to raw material price fluctuation risk***

Aluminium, copper, steel and steel alloys are the key raw materials used for manufacturing of piston rings, piston, bearings, bushes etc. Moreover, other metals such as iron, etc. are also consumed for manufacturing piston rings. The metal demand, especially aluminium, copper and steel, is cyclical with prices driven by demand and supply conditions in the market coupled with strong linkage to the global market. However, for after market segment, the company is exposed to raw material price fluctuation risk.

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

BBPL operates in the business which depends on working capital borrowings. The operating cycle for the year ended March 31, 2020 elongated to 234 days as against 183 days during FY19 and on the account of stretch in average collection period to 138 days in FY20 from 104 days in FY19. Also, the average inventory days of the company increased to 131 days in FY20 from 122 days in FY19.

#### ***Competition from organized and unorganized players***

BBPL operates in an industry which comprises of several players in the unorganized sector and is also characterized by high degree of fragmentation. There also exist big sized players resulting in competition in the industry. The auto component industry is characterized by low entry barriers and low level of product differentiation due to minimal technological inputs and availability of standardized machinery for production. Therefore, pricing is the key for the company to garner customer especially with no long-term contracts. BBPL has a market share of around 2.74% in the organized market of pistons/piston rings in India.

### **Key Rating Strengths**

#### ***Extensive experience of promoters and established track record of operations***

BBPL, promoted by Mr. Panna Lal Jain (Chairman) and Mr. Vivek Benara (Managing Director). Mr. Panna Lal Jain has been associated with the company since its inception. He holds a bachelor's degree in engineering from IIT Roorkee and has around five decades of experience in the bearing industry and automotive component. Mr. Panna Lal Jain is ably supported by his son, Mr. Vivek Benara, who has more than two decades of experience in the field of auto component industry and retailing. BBPL is engaged in manufacturing of engine bearings & bushes for stationary marine engines, pistons, pins, piston rings and marketing of products like ball bearing, spark plugs, rocker arms, timing chains etc. for around five decades.

#### ***Moderate financial profile***

BBPL financial risk profile stood moderate for FY20. The company's revenue in FY20 declined to Rs 110.08 cr. from Rs 116.69 cr. in FY19 primarily on the account of decrease in overall demand of the products. The PBILDT margin of the company stood at 6.86% in FY20 (8.46% during FY19) as against profits of Rs 7.55 cr. in FY20 and Rs 9.88 cr. in FY19 at PBIDLT levels reported by the company. Overall gearing of the company stood moderate at 0.90x (PY: 0.79x) on March 31, 2020.

### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)  
[CARE's Policy on Default Recognition](#)  
[Liquidity analysis of Non-financial sector entities](#)  
[Financial ratios – Non-Financial Sector](#)  
[Criteria for Short Term Instruments](#)  
[Rating Methodology – Manufacturing Companies](#)

### **About the Company**

Benara Bearings & Pistons Ltd (BBPL), incorporated in 1970 by Mr. Panna Lal Jain, manufactures aftermarket automotive parts and has 2 units in Agra, Uttar Pradesh which manufactures engine bearings & bushes for stationary marine engines, pistons, pins, piston rings, engine bearing and bushes for all applications. Furthermore, the company is involved in the marketing of products like ball bearing, spark plugs, rocker arms, timing chains etc. On March 22, 2018, the company raised Rs 33.49 cr. through IPO proceeds and got listed on NSE SME and BSE Exchange.

### **Key Financial Indicators**

	Rs. Cr.	
<b>Brief Financials (Rs. crore)</b>	<b>FY19 (A)</b>	<b>FY20 (A)</b>
Total operating income	116.69	110.08
PBILDT	9.88	7.55
PAT	4.15	0.73
Overall gearing (times)	0.76	0.90
Interest coverage (times)	2.69	1.84

A: Audited

**Status of non-cooperation with previous CRA:** NA

**Any other information:** Not Applicable

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

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

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	8.41	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	38.60	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	2.99	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information

#### 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	8.41	CARE B+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (25-Mar-20)	1)CARE BB+; Stable (22-Oct-18)
2.	Fund-based - LT-Cash Credit	LT	38.60	CARE B+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (25-Mar-20)	1)CARE BB+; Stable (22-Oct-18)
3.	Non-fund-based - ST-BG/LC	ST	2.99	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Mar-20)	1)CARE A4+ (22-Oct-18)

\*Issuer did not cooperate; based on best available information

#### 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 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

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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