Press Release

July 09, 2013

CARE ASSIGNS 'CARE BB+'/ 'CARE A4+' RATINGS TO THE BANK FACILITIES OF BEDMUTHA INDUSTRIES LTD

Ratings

Bank Facilities/Instrument	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	250.21	CARE BB+ (Double B Plus)	Assigned
Short-term Bank Facilities	44.46	CARE A4+ (A Four Plus)	Assigned

Rating Rationale

The ratings are constrained by high gearing level, weak debt coverage indicators, decline in operating profitability margins with a net loss in FY12 (refers to the period April 1 to March 31), and project implementation risk. The ratings are also constrained by the high working capital intensity, competition from large-size players, exposure to adverse movement in wire rod prices and cyclicity in the steel industry.

The ratings, however, take into account the promoters' significant experience in the wire manufacturing business and BIL's diversified customer base.

Going forward, BIL's ability to achieve sufficient cash accruals from envisaged turnover and to manage liquidity without stretching working capital cycle are the key rating sensitivities. Furthermore, timely completion of the Nardana project and to generate envisaged revenue from the project would be critical from the credit prospective.

Background

Bedmutha Industries Limited (BIL) was incorporated in 1990 for the manufacturing of Galvanised steel wires. The company is currently producing a range of wire products, viz Stay/ Earth wires, High Carbon Rope wires, Stranded wires and wire nails. The galvanized wire and wire products finds various applications in electrical infrastructure, cable industry, auto industry, telephone lines, agriculture applications, fencing, construction activities etc. The total production capacity of the company at the end of FY13 (considering all wire and wire products) was 5,000 tonne/ month.

BIL reported a profit after tax of Rs.2.28 crore on the total income of Rs.217.39 crore in FY13 as against net loss of Rs.0.34 crore on the total income of Rs.211.53 crore in FY12.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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