

JANUARY 07, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF BHARAT WIRE ROPES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	30	CARE BBB- (Triple B Minus)	Reaffirmed
Short term Bank Facilities	30	CARE A3 (A Three)	Reaffirmed
Total Facilities	60		

Rating Rationale

The ratings continue to derive strength from Bharat Wire Ropes Ltd's (BWRL) professionally qualified promoters with noteworthy experience, wide product portfolio, reputed clientele spanning across geographies and accreditations received from reputed international agencies for its products.

The rating strengths are however tempered by low profitability, project execution risk associated with the setting up of new integrated facility, moderate financial performance during FY14 (refers to the period April 1 to March 31), high operating cycle and susceptibility to steel price volatility along with supplier concentration.

The ability of BWRL to improve its profitability margins amidst steel price volatility and to reduce collection period coupled with ability to commence operation from the new plant in time remains the key rating sensitivities.

Background

Bharat Wire Ropes Limited (BWRL), a closely-held company promoted by Sunderji Shah and Devchand Shah in 1968, was reconstituted as a public limited company in 1986. In July 2010, BWRL was acquired by Gaji Mercantile Ltd. (GML, 87.34%), an SPV floated by Mr M L Mittal (main promoter), Mentors Capital Ltd. (investor) and Gyan Shanker Investment Pvt. Ltd. (investor). GML acquired BWRL in a deal valued at USD 43 million (Rs.200 crore). In 2012, Gyan Shanker Investment Pvt. Ltd. exited the company by offloading its stake to Passionate Investment Management Pvt. Ltd. (PIMPL, 6.25%) - an NBFC promoted by Motilal Oswal and GML. Currently, the Shah Family holds the balance 6.41% stake in BWRL.

BWRL is engaged in manufacturing of variety of wire strands, wire ropes and slings of various sizes and dimensions ranging from 6mm - 125mm diameter with an aggregate capacity of 18,000 TPA (tonnes per annum) as on September 30, 2014 at its facility at Shahpur, Maharashtra. The wire ropes are manufactured in galvanized as well as ungalvanised carbon steel variants, stainless steel wire ropes. The products find application in industries such as general engineering, elevators, cranes, fishing, onshore/offshore oil exploration, ports, shipping and mining.

In FY14, BWRL reported a PAT of Rs. 1.32 crore on an operating income of Rs.82.42 crore as against PAT of Rs.1.28 crore on an operating income of Rs.74.13 crore in FY13. Also, as per H1FY15 (provisional), BWRL reported PBT of Rs.1.02 crore on an operating income of Rs.44.41 crore as against PBT of Rs.0.90 crore on an operating income of Rs.42.05 in H1FY14 (provisional).

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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