

## BMW Industries Ltd

March 03, 2017

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	486.8	<b>CARE BBB+; ISSUER NOT COOPERATING (Triple B Plus; ISSUER NOT COOPERATING)</b>	ISSUER NOT COOPERATING
Short-term Bank Facilities	63.2	<b>CARE A2; ISSUER NOT COOPERATING (A Two; ISSUER NOT COOPERATING)</b>	ISSUER NOT COOPERATING
<b>Total</b>	550.0 (Rupees Five Hundred and Fifty Crore only)		

Details of facilities in Annexure-1

### Detailed Rationale

CARE has been seeking information from BMW Industries Ltd (BMW) to monitor the ratings vide e-mail communication/letter dated August 8, 2016, December 5, 2016, January 13, 2017 and February 14, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines CARE's rating on BMW's bank facilities will now be denoted as **CARE BBB+/ CARE A2; ISSUER NOT COOPERATING**.

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

### Detailed description of the key rating drivers

At the time of last rating in press release dated December 15, 2015 the following were the rating strengths and weaknesses:

#### Key Rating Strengths

##### Experience of the promoters and regular fund support by them

Mr. Ram Gopal Bansal, Chairman has over three decades of experience in the iron and steel industry. He is assisted by his two sons Mr. Harsh Bansal (M.D.) and Mr. Vivek Bansal (Director) who have more than a decade experience and are looking after day-to-day operations. Promoters have demonstrated support to the company by infusing equity at regular intervals, to fund the capex and support the working capital requirement.

##### Diversified product profile

The company is producing a chain of value added products which includes TMT bars and steel structurals like angles, channels, beams etc (used in construction, auto sector), intermediary steel processing services like shearing, levelling, blanking, pickling, oiling and corrugation of different sheets for steel manufacturers. BMW also has a cold rolling mill for converting the hot rolled coil to galvanized sheets (used in auto industry, building industries, white goods etc) primarily for TSL, is also into manufacturing of tubes and tubular products (used in construction sector) and transmission towers (used in power and telecom sectors).

##### Assured off-take and return on equity agreement with TSL, for the new debt-funded capex

BMW has set up a Continuous Galvanizing Line (CGL) facility with a capacity of 2,00,000 MTPA at an aggregate cost of Rs.350 crore. The plant has become operational from December 2014. In June 2015, BMW has entered into an agreement with TSL for this unit with an assured minimum off-take agreement of 1,60,000 MTPA and with secured return on equity.

**Financial performance characterised by large scale of operations and increasing profitability margins.**

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

Net sales of the company grew by 21% in FY15 over FY14, after declining by 26.5% in FY14 from FY13. The decline in the net sales in FY14 was in view of higher utilisation of the facilities for conversion job; thereby earning conversion income instead of booking the entire sales proceeds. PBILDT margin is on an increasing trend over the past three years on account of the increasing conversion business which is a high margin generating business.

#### **Comfortable gearing and interest coverage levels**

Despite the increasing debt in the past three years being availed for implementation of the company's capital expansion plans and incremental working capital requirements, leverage ratios remained satisfactory on account of accretion of profits to reserves as well as and equity and unsecured subordinated loans infusion by the promoters. Overall gearing ratio stood moderate at 1.20x as on March 31, 2015. Also, the interest coverage ratio is stable at around 2.3x in the past three years.

#### **Key Rating Weakness**

##### **High working capital intensive nature of operations**

The operations of BMW is working capital intensive in nature arising from its high collection period, which stood at 94 days in FY15 (FY14: 110 days; FY13: 72 days) and high inventory period of 109 days in FY15 (FY14: 119 days; FY13: 70 days). The collection period of the company is moderate due to the policy of the company to raise the bill on TSL for the entire month's sale at the month end. Furthermore, the revenue model of BMW is mostly backed by orders from TSL.

##### **Fragmented industry and presence of unorganized players intensifies competition**

BMW is engaged in the manufacturing of value added steel products, which is highly fragmented mainly due to presence of a large number of unorganized players. Indian steel industry is characterized as fragmented and competitive especially in the downstream segment. There are number of players in the market with low level of product differentiation which results in high competition leading to lower bargaining power vis-a-vis the customers and accordingly, the profitability remains impacted.

**Analytical approach followed:** Standalone

#### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Manufacturing Companies](#)

[Rating Methodology – Steel Companies](#)

#### **Company Background**

BMW Industries Limited (BMW), incorporated in October 1981 as Bansal Mechanical Works Pvt Ltd, is promoted by Mr. Ram Gopal Bansal of Kolkata. The name of the company was changed to Bansal Mechanical Works Ltd in 1984, which was subsequently rechristened to its present name in 1999. Initially, the company was engaged in manufacturing Mild Steel (M.S.) tubes and pipes. Over the years, BMW diversified its product portfolio into both long and flat steel products by organic route.

In last two decades the company has established strong relationship with TATA Steel Ltd (TSL, rated CARE AA; Stable) by virtue of setting up plants to cater to the various steel related services required by TSL. It is converting HR coil to galvanized coil, billets to TMT bars and also provides services like slitting, shearing, levelling, pickling and scrap handling.

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

CRISIL has suspended its rating vide press release dated August 09, 2014 on account of non-cooperation by BMWIL with CRISIL's effort to undertake a review of the ratings outstanding.

Brickwork Ratings vide its press release dated September 21, 2016 has informed that BMW Industries Ltd have not provided required information for carrying out a review of the Rating, despite close follow up and hence the rating was not reviewed.

**Any other information: NIL**

**Rating History (Last three years): Please refer Annexure-2**

**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:**

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**Annexure 1: Details of 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-Cash Credit	-	-	-	238.00	CARE BBB+; Stable; ISSUER NOT COOPERATING
Non-fund-based - ST-BG/LC	-	-	-	63.20	CARE A2; ISSUER NOT COOPERATING
Fund-based - LT-Term Loan	-	-	-	248.80	CARE BBB+; Stable; ISSUER NOT COOPERATING

**Annexure 2: Rating History:-**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	238.00	CARE BBB+; Stable; ISSUER NOT COOPERATING	-	1)CARE BBB+ (15-Dec-15)	-	-
2.	Non-fund-based - ST-	ST	63.20	CARE A2; ISSUER	-	1)CARE A2	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
	BG/LC			NOT COOPERATING		(15-Dec-15)		
3.	Fund-based - LT-Term Loan	LT	248.80	CARE BBB+; Stable; ISSUER NOT COOPERATING	-	1)CARE BBB+ (15-Dec-15)	-	-

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