Bharat Wire Rope Ltd.

March 20, 2017

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long-term Bank Facilities	385 (enhanced from Rs.355 crore)	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Reaffirmed**
Short-term Bank Facilities	65 (enhanced from Rs.25 crore)	**CARE A3 (A Three)**	**Reaffirmed**
Total Facilities	**450 (Rs. Four hundred and fifty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings to bank facilities of Bharat Wire Rope Limited (BWRL) continue to derive strength from its professionally qualified promoters with noteworthy industry experience, reputed clientele spanning across geographies and accreditations received from reputed international agencies for its products and expected operationalization of the fully integrated new plant in March 2017.

The rating strengths, however, are tempered by low profitability arising out of susceptibility to steel price volatility, high debt funded expansion deteriorating the gearing levels weak debt coverage indicators and working capital intensive nature of operations.

The ability of BWRL to successfully commence production in the Chalisgaon unit with envisaged growth in operations and profitability margins amidst steel price volatility remains the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Qualified & experienced management: The board of BWRL comprises of highly qualified & experienced management (around two decades) from various backgrounds. The Managing Director, Mr. M.L. Mittal being the first generation entrepreneur has immense experience through his past association.

Reputed clientele across geographies: The Company has wide range of product offerings like slings, strands, wire rope fittings, mechanical control cable assemblies for automobiles; custom machined forged and cast components, aluminum and copper alloy conductors, rail track accessories and others. The product lines are being vastly used in varied industries. Thus the company has a reputed clientele base in engineering, elevators, shipping industry to name a few. Further it also exports its products to overseas markets namely South Africa, Kuwait, Dubai and Nepal.

Accreditations from reputed agencies: The wire ropes are subject to stringent quality controls as these find various critical applications in end user industries. BWRL has approvals from reputed agencies which makes it a credible supplier to various government organizations and private companies. Further the same is under discussion for its new plant.

Operationalization of new fully integrated facility: The new facility at Chalisgaon is a fully integrated unit; whereby the unit would be commissioned by March 2017. The entire value chain from manufacturing of wires through wire rods and further to strands and ultimately wire ropes is produced from strands has been set up. Thus the unit is envisaged to increase the operating efficiency and thereby boost the profitability.

Key Rating Weaknesses

High debt funded expansion deteriorating gearing levels: The Chalisgaon unit is financed by a debt-equity ratio of 2.15:1. Thus high debt levels and working capital requirements have resulted in deterioration in the overall capital structure with low net worth base and high gearing levels.

Weak debt protection metrics: Debt funded capex with meager cash accruals resulted in weak debt coverage indicators. Further the business being working capital intensive, the operating cycle of the company has been stretched.

Susceptibility to steel price volatility: BWRL is exposed to the volatility in input prices in the absence of long term contracts with suppliers. The major raw material for manufacturing process being wire rods and wire related items which forms around 82% of the total cost is volatile in nature.

Analytical approach: Standalone

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

Applicable Criteria
Rating Methodology-Manufacturing Companies
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector

About the Company
Bharat Wire Ropes Limited (BWRL), was initially owned, managed & controlled by Shah group. Later in July 2010, BWRL was acquired by Gaji Mercantile Ltd. Currently holding (GML, 57.12%), an SPV floated by Mr. M.L. Mittal. BWRL is engaged in manufacturing of variety of wire strands, wire ropes and slings of various sizes and dimensions ranging from 6 mm-70 mm diameter with an aggregate capacity of 12,000 TPA (tonnes per annum) as on March 31, 2016 at its facility at Shahpur, Maharashtra. The products find application in industries such as general engineering, elevators, cranes, fishing, onshore/offshore oil exploration, ports, shipping and mining.
The company is setting up an integrated wire manufacturing unit at Chalisgaon, Maharashtra with project cost of Rs.483.42 crore (completed to the extent of 84% of total project cost as on November 2016). The project is financed by a debt-equity ratio of 2.15:1; including term loan amounting to Rs.330.00 crore (tied up), IPO money amounting to Rs.70 crore and balance through own funds/ internal accruals. The entire project is now envisaged to be completed in FY17 (as against December 2016). The Capacity of the Plant is projected to be 66,000 MTPA for manufacturing of variety of wire strands, wire ropes and slings of various sizes and dimensions ranging from 6 mm-125 mm diameter
During FY16 (refers to the period April 01 to March 31), BWRL posted total operating income of Rs.60.74 crore (vis-à-vis Rs.75.66 crore in FY15) and PAT of Rs.1.34 crore in FY16 (vis-à-vis Rs.0.33 crore in FY15). Further the company posted total operating income of Rs.44.78 crore and PAT of Rs.1.09 crore in 9MFY17.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for 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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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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.

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-Cash Credit	-	-	-	55.00	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	60.00	CARE A3
Non-fund-based - ST-Bank Guarantees	-	-	-	5.00	CARE A3
Fund-based - LT-Term Loan	-	-	FY23	330.00	CARE BBB-; Stable

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 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-Term Loan	LT	-	-	-	1)Withdrawn (11-Dec-15)	1)CARE BBB- (07-Jan-15)	1)CARE BBB- (04-Dec-13)
2.	Fund-based - LT-Cash Credit	LT	55.00	CARE BBB-; Stable	-	1)CARE BBB- (11-Dec-15)	1)CARE BBB- (07-Jan-15)	1)CARE BBB- (04-Dec-13)
3.	Non-fund-based - ST-Letter of credit	ST	60.00	CARE A3	-	1)CARE A3 (11-Dec-15)	1)CARE A3 (07-Jan-15)	1)CARE A3 (04-Dec-13)
4.	Non-fund-based - ST-Bank Guarantees	ST	5.00	CARE A3	-	1)CARE A3 (11-Dec-15)	1)CARE A3 (07-Jan-15)	1)CARE A3 (04-Dec-13)
5.	Fund-based - LT-Term Loan	LT	330.00	CARE BBB-; Stable	-	1)CARE BBB- (11-Dec-15)	-	-

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