Bharat Wire Ropes Ltd

April 06, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	385.00	**CARE BB+; Stable ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)**	**Issuer Not Cooperating, Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) on the basis of best available information**
Short term Bank Facilities	65.00	**CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING*)**	**Issuer Not Cooperating, Revised from CARE A3 (A Three) on the basis of best available information**
Total	**450.00 (Rs. Four hundred and fifty crore only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Bharat Wire Ropes Ltd to monitor the rating(s) vide e-mail communications dated January 15, 2018, January 23, 2018, January 24, 2018, January 25, 2018, January 29, 2018, January 30, 2018, January 31, 2018, February 1, 2018, February 2, 2018, February 5, 2018, February 6, 2018, February 14, 2018, February 15, 2018, February 19, 2018, February 20, 2018, February 21, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Bharat Wire Ropes Ltd's bank facilities will now be denoted as **CARE BB+/CARE A4+; 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 rating(s).

The ratings have been revised on account of deterioration of the capital structure and coverage ratios as a result of debt funded capex for Chalisgaon facility. The rating further takes into consideration low profit margins for FY17 as wells as for 9MFY18, stretched operation cycle resulting into weak liquidity position and susceptibility to volatility in steel prices.

These rating weaknesses are however offset by professionally qualified promoters with noteworthy industry experience, reputed clientele spanning across geographies, accreditations received from reputed international agencies for its products and operationalization of fully integrated Chalisgaon unit.

Detailed description of the key rating drivers

At the time of last rating on March 20, 2017 the following were the rating strengths and weaknesses (updated for the information available from annual report and quarterly results):

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[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

Key Rating Weaknesses

High debt funded expansion resulting into deteriorating gearing levels and coverage ratios:

The Chalisgaon unit is financed by a debt-equity ratio of 2.15:1. Thus with high debt levels and working capital requirements has resulted in deterioration in the overall capital structure with low net worth base and high gearing levels. The overall gearing deteriorated to 2.41x as on September 30, 2017 as compared to 2.02x as on March 31, 2017. During 9MFY18, high debt levels and meager cash accruals resulted in weak debt coverage indicators with interest coverage ratio falling from 2.61x in FY17 (FY16: 2.23x) to 1.94x for 9MFY18. The total debt to GCA also remained high at 26.94x for H1FY18 (annualized) as compared to 49.53x in FY17 from 43.05x in FY16.

Weak liquidity profile due to stretched operating cycle:

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 streteched. The oparting cycle of BWRL though improved from 259 days in FY16 to 236 days in FY17, continues to high.

Low Profit Margins:

BWRL's total operating income grew by 7.39% from Rs.60.74 crore in FY17 to Rs.65.23 crore in FY17 whereas PBILDT margins declined from 13.67% in FY16 to 10.15% in FY17. However, with new facility in operation from FY18, the total operating income grew significantly by 138% in 9MFY18 vis-à-vis its corresponding period of previous year whereas PBILDT and PAT margins fell from 10.76% and 2.45% for 9MFY17 to 7.57% and 0.11% for 9MFY18.

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 more than 70% of the total cost is volatile in nature.

Key Rating Strengths

Qualified & experienced management:

The board of BWRL comprises of highly qualified & experienced personnel (around two decades) from various backgrounds. The chairman & Managing Director Mr. M.L. Mittal being the first generation entrepreneur has immense experience through its 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.

Accreditions 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.

Fully integrated facilitiy:

The new facility set up at Chalisgaon, is a complete integrated unit. 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. The Company has commenced commercial production on March 22, 2017 at its Chalisgaon factory which has an installed capacity of 66,000 MTPA which has further enhanced its capacity to manufacture wire ropes, structural strands and slings.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial Sector

About the Company
BWRL is engaged in manufacturing of variety of wire strands, wire ropes and slings of various sizes and dimensions ranging from 6 mm-125 mm diameter. The company has its facility located at Atgaon with installed capacity of 12000 MTPA (metric tonnes per annum). Further BWRL has commenced commercial production on March 22, 2017 at its Chalisgaon factory which has an installed capacity of 66,000 MTPA. The wire ropes are manufactured in galvanized as well as ungalvanised carbon steel variants, stainless steel wire ropes. The Company has a diverse product mix which includes Mechanically Spliced Slings, Hand Spliced Slings, Earth Wires, Stay Wires, Guy Wires, Spiral Strands, General Purpose Ropes, Fishing Ropes, Crane Ropes, Structural Ropes, Elevator Ropes, Mining Ropes, Oil & Gas Ropes & Shipping Ropes. The products find application in different industries including oil & gas, mining, fishing, ports & marine, elevator, power transmission, railways, construction, infrastructure, defense, crane manufacturers, among others.

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
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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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.

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 BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information
Fund-based - LT-Term Loan	-	-	-	330.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	60.00	CARE A4+ ; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	5.00	CARE A4+ ; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (11-Dec-15)
2.	Fund-based - LT-Cash Credit	LT	55.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	-	-	1)CARE BBB-; Stable (20-Mar-17)	1)CARE BBB- (11-Dec-15)
3.	Non-fund-based - ST-Letter of credit	ST	60.00	CARE A4+ ; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information	-	-	1)CARE A3 (20-Mar-17)	1)CARE A3 (11-Dec-15)
4.	Non-fund-based - ST-Bank Guarantees	ST	5.00	CARE A4+ ; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information	-	-	1)CARE A3 (20-Mar-17)	1)CARE A3 (11-Dec-15)
5.	Fund-based - LT-Term Loan	LT	330.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	-	-	1)CARE BBB-; Stable (20-Mar-17)	1)CARE BBB- (11-Dec-15)

**Issuer did not cooperate; Based on best available information*

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