

March 26, 2020 ^{Revised}

Bina Tube Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Cash Credit	2.00	2.00	[ICRA]B+ (Stable); reaffirmed
Term Loan	8.08	8.08	[ICRA]B+ (Stable); reaffirmed
Bank Guarantee	0.80	0.80	[ICRA]A4; reaffirmed
Unallocated	0.12	0.12	[ICRA]B+ (Stable)/A4; reaffirmed
Total	11.00	11.00	

*Instrument details are provided in Annexure-1

Rationale

The ratings reaffirmation takes into consideration the extensive experience of the promoters of Bina Tube Private Limited (BTPL) in the steel industry and their association with TATA Steel Industry (TSL) in manufacturing various products, including electric resistant welding steel pipes (ERW). This is reflected in a year-on-year (YoY) growth in operating income (OI) to Rs. 12.40 crore in FY2019. The ratings also take into consideration the healthy financial risk profile indicated by robust interest coverage of 3.78 times, high operating margin of 28.92% and debt service coverage ratio (DSCR) of 2.14 times in FY2019. Moreover, the company is insulated from inventory risk and raw material price volatility risk, which are borne by TSL.

The ratings, however, continue to be constrained by BTPL's small scale of operation and its dependence on TSL. The company also faces the risk of non-revival of the agreement between the two companies. ICRA also takes note of the high utilisation of bank limits in the past few months and the modest net worth position.

The Stable outlook on [ICRA]B+ rating reflects the benefits the company is expected to derive from its experienced promoters and its association with TSL.

Key rating drivers and their description

Credit strengths

Revenue growth in past three years due to healthy demand - BTPL has seen a continuous rise in OI to Rs. 12.40 crore in FY2019 from Rs. 8.11 crore in FY2016 (an increase of 53%) on account of steady demand from TSL.

Promoters with more than one decade of experience in steel industry - The promoters have extensive experience in the ferrous industry, given the established relationship with TSL.

Lower power cost from TATA Power provides competitive advantage - Apart from receiving raw materials from TSL, the company receives power supply from TATA Power at a rate of Rs. 6 per unit. The cost has substantially come down from earlier Rs. 9-9.50 per unit (Jharkhand State Electricity Board) and going forward, this will help the company to further improve its operating margins.

Credit challenges

Small scale of operation - Even with healthy demand and YoY improvement in OI, BTPL's scale of operation remains constrained at Rs. 12.40 crore in FY2019.

Highly leveraged capital structure - The gearing level of the company stood high at 4.36 times in FY2019 on account of low net worth of Rs. 2.92 crore.

High client-concentration risk - TSL being the sole customer of BTPL, it faces the risk of non-renewal of contract. Moreover, the company's performance depends on the demand from TSL and thus, the performance of the latter is a major driver of the overall performance of BTPL.

Liquidity position: Stretched

The working capital utilisation was high at 97% for the 10-month period that ended in January 2020. The company's overall liquidity is expected to remain **stretched** due to scheduled debt repayment obligations. Thus, generation of adequate cash accruals will remain crucial. However, given the past track record, the promoters are expected to provide funding support for any cash flow mismatch over the medium term.

Rating sensitivities

Positive triggers: An upward movement in rating could happen if there is substantial and sustained growth in revenues and profitability. TOL/TNW to fall below 3 times on a sustained basis.

Negative triggers: Negative pressure on company's ratings could arise if there is deterioration in performance of the entity evidenced by lower cash accruals, further deterioration in working capital cycle, or if any major debt-funded capital expenditure, weakens liquidity. DSCR less than 1.1 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in Ferrous Industries
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone position of BTPL

About the company

BTPL was incorporated in 2015. The company is involved in the manufacture and supply of ERW black steel metallic tubes of different sizes. The unit at present is an authorised conversion agent of TSL tubes division. The promoters of BTPL are Mr. Pradeep Kumar Mukherjee and Mr. Probal Mukherjee.

Key financial indicators (Audited)

	FY2018	FY2019
Operating Income (Rs. crore)	10.28	12.40
PAT (Rs. crore)	1.11	1.10
OPBDIT/OI (%)	27.63%	28.92%
RoCE (%)	18.06%	25.90%
Total Outside Liabilities/Tangible Net Worth (times)	6.75	6.08
Total Debt/ OPBDITA (times)	2.98	3.56
Interest Coverage (times)	3.77	3.78
DSCR	2.07	2.05

Source: Company data

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Instrument	Type	Current Rating (FY2020)		Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
1 Cash Credit	Long Term	2.00	-	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)		
2 Term Loan	Long Term	8.08	-	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)		
3 Bank Guarantee	Short Term	0.80	-	[ICRA]A4	[ICRA]A4		
4 Unallocated	Long/Short Term	0.12	-	[ICRA]B+ (Stable)/A4	[ICRA]B+ (Stable)/A4		

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	2.00	[ICRA]B+ (Stable)
NA	Term Loan	April 2016	-	March 2023	8.08	[ICRA]B+ (Stable)
NA	Bank Guarantee	-	-	-	0.80	[ICRA]A4
NA	Unallocated	-	-	-	0.12	[ICRA]B+ (Stable)/A4

Source: BTPL

Corrigendum:

Rationale dated March 26, 2020 has been corrected with revision as detailed below:

There is a change in the key financial indicators table. The key financial indicators table has been updated on page number 2 with correct figures.

ANALYST CONTACTS

K Ravichandran
+91 124 4545304
ravichandran@icraindia.com

Manish Ballabh
+91 124 4545812
manish.ballabh@icraindia.com

Gaurav Singla
+91 124 4545366
gaurav.singla@icraindia.com

Sanjay Pal
+91 124 4545348
sanjay.pal@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-3341580 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 2552 0194/95/96

© Copyright, 2020, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.