



Date: 05-07-2024

To,  
The Manager  
Listing Department  
**BSE Limited**  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai- 400001  
**Scrip Code: 542669**

To,  
The Manager  
Listing Department  
**The Calcutta Stock Exchange Limited**  
Lyons Range,  
Kolkata – 700 001  
**Scrip Code: 12141- CSE**

Dear Sir / Madam,

**Subject: Upgrade in Credit Rating to “IND A”/Stable, from India Ratings & Research under Regulations 30(6), 51(2) and 55 of SEBI (LODR) Regulations, 2015**

Pursuant to the provisions of Regulations 30(6), 51(2) and 55 read with Schedule III and other applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, we hereby inform you on the upgrade in credit rating to “IND A”/ **Stable** from India Ratings & Research:

<b>Instrument Type</b>	<b>Date of Issuance</b>	<b>Coupon Rate (%)</b>	<b>Maturity Date</b>	<b>Size of Issue (million)</b>	<b>Rating assigned along with Outlook/ Watch</b>	<b>Rating Action</b>
Fund-based working capital facilities	-	-	-	INR1,000* (reduced from INR1,250)	IND A/Stable	Upgraded
Non-fund based working capital facilities	-	-	-	INR739	IND A1	Upgraded
Term loan	-	-	March 2027	INR490.3 (reduced from INR827.8)	IND A/Stable	Upgraded
Term loan	-	-	March 2028	INR337.5	IND A/Stable	Assigned

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CIN : L51109WB1981PLC034212



The report from the credit rating agency covering the rationale for revision in credit rating is enclosed and the same is also uploaded on the website of the Company.

We request you to kindly take the same on record.

Yours faithfully,  
For **BMW INDUSTRIES LIMITED**

Vikram Kapur  
Company Secretary

## India Ratings Upgrades BMW Industries's Bank Facilities to 'IND A'/Stable; Rates Additional Limits

Jul 04, 2024 | Iron & Steel

India Ratings and Research (Ind-Ra) has taken the following rating actions on BMW Industries Limited's (BMW) bank facilities:

### Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/ Watch	Rating Action
Fund-based working capital facilities	-	-	-	INR1,000* (reduced from INR1,250)	IND A/Stable	Upgraded
Non-fund based working capital facilities	-	-	-	INR739	IND A1	Upgraded
Term loan	-	-	March 2027	INR490.3 (reduced from INR827.8)	IND A/Stable	Upgraded
Term loan	-	-	March 2028	INR337.5	IND A/Stable	Assigned

\* The assessed limits as per lead bank's sanction letter is INR900 million.

### Analytical Approach

Ind-Ra continues to take a consolidated view of BMW along with its two subsidiaries: BMW Iron & Steel Industries Limited (100%; full consolidation) and Nippon Cryo Private Limited (100%; full consolidation); and its joint venture: SAIL Bansal Service Centre Limited (60% shareholding; partial consolidation), due to the strong legal, operational and strategic linkages among them. The two subsidiaries are proposed to be merged into BMW by FYE25 to streamline the group structure.

### Detailed Rationale of the Rating Action

The upgrade reflects BMW's better-than-Ind-Ra estimated financial performance during FY24 with improved credit metrics, a pick-up in volumes for the two contracts signed in FY23 with its key customer, Tata Steel Limited (TSL; 'IND AA+/'Positive/'IND A1+'), and the planned enhancement of capacities to be backed by orders from its key customer thereby ensuring revenue visibility. Furthermore, the ratings reflect a substantial improvement in its cash conversion cycle in FY24 which is likely to sustain, leading to lower reliance on working capital borrowings.

### List of Key Rating Drivers

#### Strengths

- Higher-than-Ind-Ra-estimated FY24 performance; conversion business continues to drive steady cash flows
- Improved credit profile; likely to remain healthy despite debt-funded capex
- Enhanced working capital management

- Long-term association with TSL
- Resilient margins supported by conversion business
- Diversified product profile

### Weaknesses

- High customer concentration
- Pending renewal of agreement

## Detailed Description of Key Rating Drivers

**Higher-than-Ind-Ra-estimated FY24 Performance; Conversion Business Continues to Drive Steady Cash Flows:** BMW's cash flows are primarily driven by its agreement with its key customer, TSL, for the conversion of flat products at BMW's Gamharia unit (continuous galvanising line of 10,14,000 metric tonnes per annum (mtpa), in Jamshedpur at pre-determined rates. The volumes of its flat product conversion segment increased to 8,24,132 tonnes during FY24 (FY23: 8,23,898 tonnes) and the revenue to INR3,891 million (INR3,889 million), led by a sustained demand from the key customer and improved operational efficiencies at BMW's plant. Till FY21, the volumes had exceeded the minimum guaranteed quantity and improved further yoy over FY22-FY24. The company witnessed higher-than-Ind-Ra-estimated operational performance with the consolidated revenue increasing to INR5,982 million in FY24 (FY23: INR5,623 million; FY22: INR4,474 million), due to efficient utilisation of its installed capacity. The EBITDA margin increased to 24.46% (23.06%; 23.57%), led by the lower consumable prices which is a pass-through cost. The flat products conversion segment accounted for around 59% of the total revenue in FY24 (FY23: 62%; FY22: 72%). Ind-Ra believes the flat products' conversion works for its key customer will continue to generate adequate cash flows.

**Improved Credit Profile; To Remain Healthy despite Debt-Funded Capex:** The consolidated gross interest coverage (EBITDA/gross interest) improved to 7.40x in FY24 (FY23: 5.42x; FY22: 4.52x), due to an increase in the absolute EBITDA. Meanwhile, the consolidated adjusted net leverage (adjusted net debt/EBITDA) reduced to 0.81x in FY24 (FY23: 1.92x; FY22: 2.59x), due to lower gross debt on improved working capital cycle, the increased absolute EBITDA and progressive debt repayments. BMW is undertaking a capex to expand its capacities in its pipes and tubes vertical in two phases with a total project cost of INR1,700 million. The first phase (INR700 million) increased the capacity by 77% to 4,14,000MT in March 2024 and further enhanced by 29% to 5,34,000MT in July 2024. In the second phase, the project's capacity would be further increased by 88% to 10,02,000MT for pipes and tubes, with an estimated cost of around INR1,000 million, to be funded through a debt-equity mix of 1:1. Ind-Ra believes the additional debt is unlikely to impact the credit profile of BMW beyond acceptable levels supported by strong cash flow generation. The second phase shall be completed partially by March 2025 and the balance by end-1HFY26. As per the management, BMW's existing contracts for pipes and tubes will be extended for the incremental capacities as mutually agreed with its key customer, thereby supporting offtake over the medium term.

**Enhanced Working Capital Management:** BMW's cash conversion cycle reduced significantly to 76 days in FY24 (FY23: 176; FY22: 217), due to a reduction in its inventory holding period to 55 days (116; 148) as the old manufacturing business inventory was efficiently utilised/liquidated. Further, the debtor's collection period reduced to 38 days in FY24 (FY23:84; FY22: 90), partly on the collection of debtors due for over 180 days and the write-offs of long-pending debtors. The improved cash conversion cycle is likely to sustain as the old pending issues have now been largely addressed. The cost of zinc (around 80% of raw material consumed) for the conversion segment is reimbursed by its key customer, although with a lag of around two months.

**Long-term Association with TSL:** BMW is associated with TSL since the past three decades and BMW's Gamharia plant was strategically set up in December 2013 exclusively to serve TSL's production/conversion of flat products HR coils into galvanised plain/galvanised corrugated sheets with a capital cost of over INR4,000 million. The proximity of BMW's plant to TSL's manufacturing location ensures lower logistics costs for the latter. The converted products are sold by its key customer under its flagship brand 'Tata Shaktee'. Currently, BMW almost caters to the entire demand of the 'Tata Shaktee' brand.

According to the management, the contract reasonably ensures continuity of BMW's operations with its key customer over the long-term, considering the quality, proximity and cost involved. Thus, the strategic importance to its key customer will continue to benefit BMW in the long run which ensures adequate revenue visibility and sustenance of strong business risk profile.

In FY23, the company signed two contracts for increased conversion volumes of thermo-mechanically treated (TMT; since December 2022, valid till November 2025) bars and mild steel pipes (since April 2023, valid till August 2024; under renewal), providing a diversification of products under conversion segment/division/activities. Ind-Ra believes that the company's revenue

profile shall improve consistently going forward, backed by its long-term association with TSL and the capacity enhancement likely to be largely backed by agreements.

**Resilient Margins Supported by Conversion Business:** BMW's management has been focusing on the conversion/processing business (more than 75% of sales) that offers steadier margins than the manufacturing segment. Its conversion/processing customers provide the key raw materials, and the conversion charge is fixed on the basis of operational expenses supported by the price variation clause. This would result in a lower susceptibility to volatility in raw material and finished goods prices, subject to the mix of conversion/processing services offered. The company's overall sales volume grew 9.8% yoy during FY24, driven by an increase in its sales volume of TMT bars and pipes and tubes. Its TMT volumes picked up in FY24 owing to the additional volumes from the unit of Neelachal Ispat Nigam Limited (NINL), which was acquired by TSL in FY23.

With a 6.4% yoy revenue increase on higher conversion volumes, the absolute EBITDA increased 12.8% yoy to INR1,463 million in FY24. Furthermore, BMW's consolidated EBITDA margins remained resilient and improved to 24.46% in FY24 (FY23: 23.06%), supported by a sustained high share of income from flat products' conversion works for BMW's key customer.

Although the revenue scale may be restricted, Ind-Ra believes the scale in terms of volumes will improve over the medium term with an increase in volumes with new contracts being executed, increased volumes at existing capacities after modernisation, enhanced capacities becoming operational and a gradual pick-up in manufacturing volumes. Ind-Ra expects the EBITDA margins to remain around 25% in FY25 due to additional capacities and enhanced volumes from existing capacities of pipes and tubes and TMT bars which will help in better capacity utilisation.

**Diversified Product Profile:** The company has a diversified product portfolio, including long as well as flat products – TMT bars, steel pipes and GP sheets. High value-added products such as structures and GP sheets constituted around 59% of the total consolidated revenue in FY24 (FY23: 62%). As a result of its product mix and conversion business, the company is able to generate healthy EBITDA margins. The company has prudently controlled its sales to such sectors after writing off receivables outstanding for over six months since FY19 and at INR65.46 million in FY24 (FY23: INR32.96 million) from its own manufacturing segment. BMW is now exploring opportunities to scale up the manufacturing segment gradually over the medium term.

**High Customer Concentration:** The contribution of the top 10 buyers to the total revenue rose to 93% in FY24 (FY23: 90%; FY22: 89%), with a substantial proportion comprising revenue from TSL (FY24: 79%). However, the risk is being mitigated by the long-term association of the company with TSL, strong credit profile of the counterparty, and varied nature of jobs executed for TSL under different agreements.

**Pending Renewal of Agreement:** BMW's agreement with TSL is under negotiation for renewal of another five years for its flat products conversion segment. The contract had expired in March 2024 which has been extended up to September 2024. The agreement for conversion of mild-steel pipes has also been extended up to August 2024 and is currently undergoing negotiations for three-year period. However, Ind-Ra believes the risk of renewal is largely mitigated by the long-term association of the company with its key customer.

## Liquidity

**Adequate:** BMW's cash flow from operations improved to INR2,534 million in FY24 (FY23: INR1,070 million; FY22: INR471 million) while the free cash flow rose to INR1,244 million (INR382 million; INR175 million), owing to the improvement in the absolute EBITDA, efficient inventory management and realisation of long-standing debtors. The company's average utilisation of its fund-based limits (INR900 million) and non-fund-based limits (INR739 million) was around 69% and 73%, respectively, for the 12 months ended May 2024, providing a moderate buffer to meet its short-term requirements. The company has also made around INR85 million of prepayment of its term loans in FY24.

BMW is undertaking a INR1,700 million capex for expanding its capacity of pipes and tubes segment over FY24-FY26. The phase 1 is likely to be completed in July 2024 while the second phase is expected to be fully operational by end-H1FY26. For a capex of around INR1,000 million for the second phase, BMW is likely to take a term loan of INR500 million (yet to be sanctioned). BMW's free cash balance stood low at INR62 million at FYE24 (FYE23: INR76 million). Ind-Ra expects BMW's debt service coverage ratio to remain adequate at above 8x for the scheduled principal repayments of INR337.6 million and INR210.62 million over FY25 and FY26, respectively.

# Rating Sensitivities

**Positive:** An increase in the scale of operations on improved volumes and business diversification while maintaining healthy credit metrics, all on a sustained basis, could lead to a positive rating action.

**Negative:** Lower-than-estimated EBITDA, leading to the net adjusted leverage increasing above 2.0x or any unexpected change in the conversion terms with its key customer and/or a stretch in the liquidity will result in a negative rating action.

## Any Other Information

**Standalone Financials:** BMW's revenue grew around 5% yoy to INR5,353 million in FY24 (FY23: INR5,077 million). The EBITDA stood at INR1,336 million in FY24 (FY23: INR1,098 million), while the EBITDA margin stood at 24.96% (21.63%). The credit profile remains comfortable with net leverage of 0.91x in FY24 (FY23: 2.25x) and the interest coverage of 6.82x (4.64x). BMW has debt repayments of INR337.6 million and INR210.62 billion in FY25 and FY26, respectively, on a standalone basis.

## About the Company

Incorporated in 1981, BMW manufactures mild steel, long and flat products such as TMT bars, pipes and structures. It is also engaged in galvanisation of structures. The company has been processing, slitting, shearing, levelling, pickling and scrap handling of steel on behalf of TSL for almost three decades. It has six manufacturing facilities, of which one is in West Bengal (own manufacturing and processing) and five in Jharkhand (dedicated to conversion works from TSL). BMW's registered office is in Kolkata, West Bengal. BMW is listed on BSE Limited since May 2019.

## Key Financials Indicators

Particulars (Consolidated)	FY24	FY23
Revenue (INR million)	5,982	5,623
EBITDA (INR million)	1,463	1,297
EBITDA margin (%)	24.5	23.1
Interest coverage (x)	7.40	5.42
Net leverage (net debt/ EBITDA) (x)	0.81	1.92
Source: BMW, Ind-Ra		

## Status of Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	22 September 2023	28 April 2023	8 February 2022
Issuer rating	Long-term	-	-	WD	IND A-/Positive	IND A-/Stable
Term loan	Long-term	INR827.8	IND A/Stable	-	IND A-/Positive	IND A-/Stable
Fund-based working capital facilities	Long-term	INR1,000	IND A/Stable	-	IND A-/Positive	IND A-/Stable
Non-fund based working capital facilities	Short-term	INR739	IND A1	-	IND A2+	IND A2+

## Bank wise Facilities Details

[Click here to see the details](#)

# Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based working capital facilities	Low
Non-fund-based working capital facilities	Low
Term loan	Low

For details on the complexity level of the instruments, please visit [www.indiaratings.co.in/complexity-indicators](http://www.indiaratings.co.in/complexity-indicators).

## APPLICABLE CRITERIA

**Evaluating Corporate Governance**

**Short-Term Ratings Criteria for Non-Financial Corporates**

**Corporate Rating Methodology**

**The Rating Process**

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

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