

Press Release

B D Industries India Private Limited (BDIPL)

21 August, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs.7.50 Cr
Long Term Rating	SMERA B+/Stable
Short Term Rating	SMERA A4

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.7.50 crore bank facilities of B D Industries India Private Limited. The outlook is '**Stable**'.

B D Industries India Private Limited (BDIPL), a Madhya Pradesh-based company incorporated in 2009 commenced commercial operations in 2015. The company, promoted by Mr. Dalbair Pal Saini and Ms. Arti Saini is engaged in the manufacturing of plastic and steel products. SMERA has consolidated the business and financial risk profiles of B D Industries India Private Limited (BDIPL) and B D Industries Pune Private Limited (BD Industries) collectively referred to as the BDI group.

Key Rating Drivers

Strengths

Experienced management: The promoters, Mr. Dalbair Pal Saini and Ms. Arti Saini have more than three decades of experience in the said line of business.

Diversified product profile: The BDI Group manufactures steel and plastic based industrial equipments such as light barriers, traffic cones, road fence, lane dividers, metal beams among others for road safety. The products are used in various industries including textiles, chemicals, pharmaceuticals, food processing to name a few.

Weaknesses

Modest scale of operations: BDI group has modest scale of operations marked by operating income of Rs.30.25 crore for FY2016 as against Rs.24.36 crore for FY2015 and Rs.22.31 crore for FY2014. The group has booked revenue of about Rs 40.56 crore in FY2016-17 (Provisional). The increase in revenue is on account of ramping up of the manufacturing activity in BDIPL.

Average financial risk profile: The group has average financial risk profile marked by net worth of Rs.5.00 crore and gearing (debt to equity ratio) of 1.40 times as on 31 March, 2016 as against networth of Rs.5.72 crore and gearing of 0.56 times as on 31 March, 2015. The total debt of Rs.7.01 crore includes Rs.3.44 crore of term loan and Rs.3.58 crore of working capital borrowings as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 1.71 times for FY2016 as against 1.38 times for FY2015 and NCA/TD stood at 0.10 in FY2016 as against 0.08 times in FY2015. However, SMERA believes that going forward the BDI group will improve on its gearing and coverage indicators mainly on account of capital brought into business and lower usage of bank's debt. Further, improved profitability will improve coverage indicators in the medium term.

Working capital intensive operations: The operations of the group are working capital intensive with Gross current assets (GCA) of 151 days for FY2016 as against 132 days for FY2015. This is mainly on account of longer receivable cycle marked by debtor days of 91 for FY2016 and 76 days for FY2015. Further, the utilisation of working capital limits stood at ~100.00 percent for the past six months ended June 2017.

Susceptibility of profit margins to volatility in raw material prices and forex rates: The company is exposed to fluctuations in the prices of raw materials - plastic, polymer, polypropylene, steel and forex rates. Hence, margins are susceptible to volatility in raw material prices. Further, ~50.00 percent of raw materials are imported from Italy, Canada and Malaysia.

Analytical Approach

SMERA has consolidated the business and financial risk profiles of B D Industries and BDIPL - hereinafter called the BDI group. The consolidation is on account of the common ownership and operational linkages in terms of product profile and customer base within the group.

Outlook: Stable

SMERA believes that the outlook on the BDI Group's rated facilities will remain stable over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the BDI group registers sustained growth in revenues and profit margins while registering improvement in the financial risk profile and working capital cycle. Conversely, the outlook maybe revised to 'Negative' in case of significant decline in revenues and profit margins or deterioration in the financial risk profile or liquidity position.

About the Group

B D Industries India Private Limited (BDIPL) is a Madhya Pradesh-based company incorporated in 2009. BDIPL commenced commercial operations from October 2015, while B D Industries Pune Private Limited (BD Industries), a Pune-based company was incorporated in 2010.

The BDI group promoted by Mr. Dalbair Pal Saini, Ms. Arti Saini and Mr. Akash Chopra is engaged in the manufacture of plastic and steel products including light barriers, traffic cones, lane dividers, metal beams used for road safety. Further, the company also manufactures fuel tanks, hood/canopy, dashboards, fenders, transmission covers to name a few.

About the Rated Entity - Key Financials

For FY2015-16, the company reported net loss of Rs.0.38 crore on operating income of Rs.30.25 crore, compared to net profit of Rs.0.01 crore on operating income of Rs.24.36 crore in FY2014-15. The net worth stood at Rs.5.00 crore as on 31 March, 2016 as against Rs.5.72 crore in the previous year. (Net worth includes subordinated quasi equity of Rs.5.00 crore as on 31 March 2016).

Further, for FY2016-17 (Provisional) the BDI group reported net profit of Rs.1.27 crore on operating income of Rs.40.56 crore.

Status of non-cooperation with previous CRA- Not Applicable

Any other information: Not Applicable

Applicable Criteria:

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	31-Mar-2022	3.50	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B+ / Stable
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4

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ABOUT SMERA

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