

Press Release

B D Industries Pune Private Limited

April 10, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Upgraded from ACUITE B+/Stable)
Short Term Rating	ACUITE A4+ (Upgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 10.00 crore bank facilities of B D Industries Pune Private Limited (BD Industries). The outlook is '**Stable**'.

Rating upgrade reflects improving revenues and financial risk profile. The operating revenues have increased to Rs.51.21 crore in FY2018 from Rs.39.02 crore in FY2017. Further, Profit after Tax (PAT) had also increased to Rs.1.88 crore in FY2018 from Rs.1.59 crore in FY2017. Further, the rating is supported by experienced management and reputed clientele of the firm.

B D Industries Pune Private Limited (BD Industries) is a Pune-based company incorporated in 2010. The company, promoted by Mr. Dalbair Pal Saini, Ms. Arti Saini, Mr. Akshay Saini and Mr. Rahul Saini is engaged in the manufacturing of plastic and steel products.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of B D Industries India Private Limited and B D Industries Pune Private Limited, hereinafter called 'BDI group'. The consolidation is on account of the common ownership and operational linkages in terms of product profile and customer base. Extent of consolidation: Full.

Key Rating Drivers

Strengths

• Experienced management

The group is promoted by its Directors, Mr. Dalbair Pal Saini and Ms. Arti Saini who have experience of more than two decades in manufacturing industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers.

Acuite believes that BDI group will continue to benefit from its experienced management and established relationships with customers.

• Diversified product profile

The BDI Group manufactures high-quality rotationally-moulded battery boxes and water tanks, automotive parts, road safety products, healthcare parts, waste management products, material handling pallets and crates, rotational moulding such as light barriers, traffic cones, road fence, lane dividers and metal beams, among others for road safety. The products are used in various industries including textiles, chemicals, pharmaceuticals and food processing to name a few.

Weaknesses

• Modest scale of operations and decline in operating profitability

BDI group has modest scale of operations marked by operating income of Rs.51.21 crore for FY2018 as against Rs.39.03 crore for FY2017. The group has booked revenue of about Rs.70.00 crore in FY2019 (Provisional). Further, the operating margins have declined to 9.64 per cent in FY2018 from 14.17 per cent in FY2017.

• Average financial risk profile:

The group has average financial risk profile marked by modest net worth of Rs.3.16 crore and high gearing (debt to equity ratio) of 2.71 times as on 31 March, 2018 as against Rs.1.33 crore and 9.11 times respectively as on 31 March, 2017. The total debt of Rs.6.95 crore includes Rs.2.27 crore of term loan, Rs.1.87 crore of working capital borrowings and unsecured loans from Directors and related parties of Rs.2.81 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 4.86 times for FY2018 as against 3.50 times for FY2017 and Net Cash Accruals to Total Debt (NCA/TD) stood at 0.49 in FY2018 as against 0.33 times in FY2017. However, Acuite 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 debt. Further, improved profitability will also 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 166 days for FY2018 as against 172 days for FY2017. This is mainly on account of longer receivable cycle marked by debtor days of 98 for FY2018 and 81 days for FY2017. Further, inventory days stood at 31 days for FY2018 as against 63 days for FY2017. The working capital limits are fully utilised for the past six months ended March, 2019.

• 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, and steel. Hence, margins are susceptible to volatility in raw material prices. Further, ~50.00 percent of raw materials are imported from Italy, Canada and Malaysia which exposes the group to forex rate fluctuations.

Liquidity Position:

BDI group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.0.59-3.27 crore during the last three years through 2016-18, while its maturing debt obligations were in the range of Rs.0.51-0.66 crore over the same period. The group's operations are working capital intensive as marked by gross current asset (GCA) days of 166 in FY2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the group remains fully utilised during the last 6 months period ended March, 2019. The group maintains unencumbered cash and bank balances of Rs.2.55 crore as on March 31, 2018. The current ratio of the group stands at 1.13 times as on March 31, 2018.

Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite 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 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 may be 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 (BDII) is a Madhya Pradesh-based company incorporated in 2009. BDII 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 is promoted by Mr. Dalbair Pal Saini and Ms. Arti Saini. The companies are engaged in the manufacturing of high-quality rotationally-moulded battery boxes and water tanks, automotive parts, road safety products, healthcare parts, waste management products, material handling pallets and crates, rotational moulding such as light barriers, traffic cones, road fence, lane dividers and metal beams, among others for road safety. The products are used in various industries including textiles, chemicals, pharmaceuticals and food processing to name a few.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	51.21	39.03	30.22
EBITDA	Rs. Cr.	4.94	5.53	2.13
PAT	Rs. Cr.	1.88	1.59	(0.39)
EBITDA Margin	(%)	9.64	14.17	7.06
PAT Margin	(%)	3.68	4.06	(1.28)
ROCE	(%)	29.59	30.61	20.52
Total Debt/Tangible Net Worth	Times	1.46	3.60	7.70
PBDIT/Interest	Times	4.86	3.50	1.60
Total Debt/PBDIT	Times	1.38	1.88	4.78
Gross Current Assets (Days)	Days	166	172	187

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Oct-2018	Overdraft	Long Term	2.00	ACUITE B+ Issuer not co-operating*
	Letter of credit	Short Term	6.00	ACUITE A4 Issuer not co-operating*
	Proposed Short Term Loan	Short Term	2.00	ACUITE A4 Issuer not co-operating*
21-Aug-2017	Overdraft	Long Term	2.00	ACUITE B+ / Stable (Assigned)
	Letter of credit	Short Term	6.00	ACUITE A4 (Assigned)
	Proposed Short Term Loan	Short Term	2.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB-/Stable (Upgraded from ACUITE B+)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB-/Stable (Upgraded from ACUITE B+)
Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Upgraded from ACUITE A4)

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About Acuité Ratings & Research:

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