

Press Release

Bilaspur Mining Industries Private Limited

August 20, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs. 48.00 Cr.
Long Term Rating	ACUITE BBB+/Stable (Upgraded)
Short Term Rating	ACUITE A2+ (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has Upgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 48.00 Crore bank facilities of Bilaspur Mining Industries Private Limited. The outlook is '**Stable**'.

The rating upgrade is on account of improvement in the overall business and financial risk profile of the group marked by a substantial increase in the operating revenue and net cash accruals with long track record of operation and experienced management of the group.

The group have performed well during the past few years and the revenue has increased to Rs 292.14 crore in FY2021 (Provisional) as against Rs.250.08 crore in FY2020. The profitability margins improved to 11.96 percent in FY2021 (Provisional) as against 8.46 percent in FY2020. The PAT margin increase to 4.96 percent in FY2021 (Provisional) as against 1.41 percent in FY2020. This increase was mainly because of decline in raw material prices and decline in overall production cost due to capacity enhancement and technology upgradation. The cash accruals currently stands at ~ Rs 26.74 Cr in FY 2021 (Provisional) as against Rs.15.35 crore in FY2020. Due to the continuous improvement in PAT, the Group's net worth has also jumped to Rs 80.67 Cr in FY21 (Provisional) as compared to Rs 62.29 Cr in FY 2020. The Group's interest coverage and DSCR, accordingly has also shown consistent & significant improvement over the last few years. Moreover, the liquidity of the company is also very comfortable marked by an average CC Utilization of ~ 45%.

About the Company

Chhattisgarh based Bilaspur Mining Industries Private Limited (BMITPL) was incorporated in 1997 by Mr. Jai Prakash Agarwal and Mr. Malay Kumar Dutta. The company earlier used to manufacture special purpose machinery mainly used in mining industry. The company current engaged into manufacturing of PP Woven Sacks, Block Bottom Sacks, and BOPP Sacks with an installed capacity of 12000 MTPA.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of Bilaspur Mining Industries Private Limited (BMITPL) and J K Sons Engineers Private Limited (JKSEPL), hereafter referred to as 'Bilaspur Group'. The consolidation is mainly on account of similarity in the line of business, operational synergies and common management. Extent of Consolidation: Full.

About the Group

Bilaspur Mining group is promoted by Mr. Jai Prakash Agarwal, Mr. Pranav Prakash Agarwal, Mr. Satya Prakash Agarwal and Mr. Malay Kumar Dutta in 1997. The group consists of 2 companies, namely Bilaspur Mining Industries Pvt. Ltd, and JK Sons Engineers Pvt. Ltd.

The group is one of the largest manufactures of PP Woven Sacks, Block Bottom Sacks, BOPP Sacks since 2008 situated in Bilaspur, Chhattisgarh having combined production capacity of 27000 MTPA. The group supplies the bags to various industries like Cement, White Cement, Putty, Fertilizers, Chemicals, Rice & many more. The group earlier also used to manufacture special purpose machinery mainly used in mining industry.

Key Rating Drivers

Strengths

- **Experienced management, long track record of operations**

Bilaspur Mining Group is promoted by Mr. Jai Prakash Agarwal, Mr. Pranav Prakash Agarwal, Mr. Satya Prakash Agarwal, and Mr. Malay Kumar Dutta. The promoters possess experience of more than two decades in the said line of business. The promoters' extensive industry experience has enabled the group to establish long-term relations with the customers and suppliers.

Acuite believes that the promoters' entrepreneurial experience and healthy relationship with customers and suppliers will support its business risk profile over the medium term.

- **Healthy Financial Risk Profile**

Bilaspur Mining Group has strong financial risk profile marked by high net worth, low gearing and strong coverage indicators. The tangible net worth stood at Rs. 80.68 crore as on 31 March, 2021 (Provisional) as against Rs. 62.29 crore as on 31 March, 2020. The net worth as on March 31, 2021 (Provisional) includes unsecured loan of Rs.21.01 crore as on 31 March, 2021 (Provisional), which is considered as quasi equity. The debt to equity ratio improved and stood at 0.70 times as on 31 March, 2021 (provisional) as against 0.82 times as on 31 March, 2020. The debt of Rs.56.12 crore consists of term loan of Rs.47.79 Crore and rest of the amount as working capital borrowing. The Interest Coverage Ratio (ICR) improved to 5.22 times for FY 2021 (provisional) as against 3.21 times in FY2020. The Debt Service Coverage Ratio (DSCR) improved to 2.61 times in FY2021 (Provisional) as against 1.48 times in FY2020. Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved to 1.24 times as on March 31, 2021 (provisional) as against 1.39 times as on 31 March, 2020 mainly on account of high net worth. Further, the group has net cash accruals of Rs. 26.74 crore in FY2021 (Provisional).

- **Comfortable working capital management**

The working capital management of the group is comfortable in FY2021 (Provisional) marked by Gross Current Assets (GCA) of 95 days in FY2021 (Provisional) as against 105 days in FY2020. The inventory and debtor levels stood at 42 days and 49 days in FY2021 (Provisional) as against 49 and 51 days in FY2020, respectively. The creditor days stood at 28 days in FY2021 (Provisional) as against 37 days in FY2020. As a result, the average utilization of bank limits stood low at ~45 per cent in the last six months ending June, 2021. Acuite believes that the working capital requirements will continue to remain comfortable over the medium term on account of its moderate level of debtors and inventory days.

Weaknesses

- **Competitive and fragmented nature of operations**

The group is operating in competitive and fragmented nature of industry. There are several players engaged in the Plastic Packaging industry in organized and unorganized sector. Hence, the group might face pricing pressure from other competitors. Therefore, having an established brand name is of utmost importance in this industry along with continuous addition of value added products in the product offerings.

- **Susceptibility of profitability to fluctuations in raw material prices**

The profitability is susceptible to volatility in raw material prices. The total raw material cost as a percentage of sales stood decline to 66.97 percent in FY2020-21 (Provisional) as against 69.95 percent in FY2019-20. Further, the raw materials used for preparing PP bags are plastic granules, the prices of which are dependent on the price of crude oil prices. Changes in the prices of crude are expected to impact profitability margins of the group.

Rating sensitivity

- Further improvement in operating income and profitability will lead to strong financial risk profile.
- Enhancement in production capacity from 21000 MTPA to 27000 MTPA.

Material Covenant

None

Liquidity position: Strong

The group has strong liquidity marked by sufficient net cash accruals to its maturing debt obligations. In FY2021 (Provisional), the group have generated a net cash accruals of Rs.26.74 crore as against the CPLTD

of Rs.6.03 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.32.00 Crore to Rs.42.00 Crore during FY2022-24 against CPLTD of not more than Rs.12.00 Crore each year. Group's working capital operations are comfortable marked by gross current asset (GCA) days of 100 days in FY2021 (Provisional). As a result the average utilization of bank limits stood moderate at ~45 per cent in the last six months ending June, 2021. Company maintains unencumbered cash and bank balances of Rs.0.59 Crore as on 31 March 2021 (Provisional). The current ratio stands at 1.24 times as on 31 March 2021 (Provisional).

Outlook: Stable

Acuite believes that Bilaspur Mining Group will maintain a 'Stable' business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues, while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile and liquidity position

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	292.14	250.08
PAT	Rs. Cr.	14.48	3.52
PAT Margin	(%)	4.96	1.41
Total Debt/Tangible Net Worth	Times	0.70	0.82
PBDIT/Interest	Times	5.22	3.21

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of Companies- <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
February 18, 2021	Cash Credit	Long Term	14.00	ACUITE BB (Downgraded: Indicative)
	Term Loan	Long Term	18.53	ACUITE BB (Downgraded: Indicative)
	Term Loan	Long Term	2.05	ACUITE BB (Downgraded: Indicative)

	Term Loan	Long Term	0.59	ACUITE BB (Downgraded: Indicative)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Indicative)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Indicative)
	Proposed Cash Credit	Long Term	3.00	ACUITE BB (Downgraded: Indicative)
	Proposed Bank Facility	Long Term	6.80	ACUITE BB (Downgraded: Indicative)
	Proposed Bank Guarantee	Short Term	1.03	ACUITE A4+ (Indicative)
December 17, 2019	Cash Credit	Long Term	14.00	ACUITE BB+ (Downgraded: Indicative)
	Term Loan	Long Term	18.53	ACUITE BB+ (Downgraded: Indicative)
	Term Loan	Long Term	2.05	ACUITE BB+ (Downgraded: Indicative)
	Term Loan	Long Term	0.59	ACUITE BB+ (Downgraded: Indicative)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Downgraded: Indicative)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Downgraded: Indicative)
	Proposed Cash Credit	Long Term	3.00	ACUITE BB+ (Downgraded: Indicative)
	Proposed Bank Facility	Long Term	6.80	ACUITE BB+ (Downgraded: Indicative)
	Proposed Bank Guarantee	Short Term	1.03	ACUITE A4+ (Downgraded: Indicative)
April 17, 2019	Cash Credit	Long Term	14.00	ACUITE BBB+ (Indicative)
	Term Loan	Long Term	18.53	ACUITE BBB+ (Indicative)

	Term Loan	Long Term	2.05	ACUITE BBB+ (Indicative)
	Term Loan	Long Term	0.59	ACUITE BBB+ (Indicative)
	Bank Guarantee	Short Term	1.00	ACUITE A2+ (Indicative)
	Letter of Credit	Short Term	1.00	ACUITE A2+ (Indicative)
	Proposed Cash Credit	Long Term	3.00	ACUITE BBB+ (Indicative)
	Proposed Bank Facility	Long Term	6.80	ACUITE BBB+ (Indicative)
	Proposed Bank Guarantee	Short Term	1.03	ACUITE A2+ (Indicative)

***Annexure – Details of instruments rated**

Lenders Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Cash Credit*	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB+/Stable (Upgraded)
State Bank of India	Term Loan I	September-2015	9.50	May-2026	11.12	ACUITE BBB+/Stable (Upgraded)
State Bank of India	Term Loan II	October-2017	9.50	May-2025	1.13	ACUITE BBB+/Stable (Upgraded)
State Bank of India	Term Loan III	January-2017	9.50	September-2022	0.16	ACUITE BBB+/Stable (Upgraded)
State Bank of India	Term Loan IV	April-2018	9.50	March-2025	2.22	ACUITE BBB+/Stable (Upgraded)
State Bank of India	Term Loan V	July-2020	9.50	June-2027	1.72	ACUITE BBB+/Stable (Upgraded)
State Bank of India	Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE BBB+/Stable (Upgraded)
State Bank of India	Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	5.80	ACUITE BBB+/Stable (Upgraded)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.05	ACUITE BBB+/Stable (Upgraded)
State Bank of India	Letter of Credit**	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A2+ (Upgraded)

*One way interchangeability from CC Limit to LC limit to the extent of Rs.10.00 Crore.

**LC limit to BG limit interchangeability to the extent of Rs.2.00 Crore

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About Acuité Ratings & Research:

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