

Press Release

Bilaspur Mining Industries Private Limited

March 27, 2023



Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.13	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	45.00	ACUITE BBB+ Stable Downgraded	-
Bank Loan Ratings	3.00	-	ACUITE A2 Downgraded
Total Outstanding Quantum (Rs. Cr)	86.13	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A1**' (read as **ACUITE A one**) on the Rs. 48.00 Cr bank facilities and has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 38.13 Cr bank facilities of Bilaspur Mining Industries Private Limited (BMITPL). The outlook remains '**Stable**'.

Rationale for the rating

The rating downgrade is primarily driven by significantly lower than expected profit margins for FY2022. The lower than expected performance is primarily on account of sharp rise in the prices of the raw materials namely plastic granules owing to the increase in the crude oil prices. The dip in profit margins coupled with more than projected capital expenditure have in turn led to a deterioration in their capital structure and debt protection measures. The profit margins for the current year are expected to remain flattish as compared to the previous year.

However, the rating favourably factors the growth in the scale of operations of the group along with the experienced management and the adequate liquidity position. The rating also considers the above average financial risk profile of the group as reflected by the comfortable leverage ratios.

About the Company

Incorporated in 1997, Bilaspur Mining Industries Private Limited (BMITPL) is headed by Mr. Jai Prakash Agarwal and Mr. Malay Kumar Dutta. The company is engaged into the manufacturing of PP Woven Sacks, Block Bottom Sacks, BOPP Sacks with an installed capacity of 14400 MTPA. Earlier the company used to manufacture special purpose machinery mainly used in the mining industry.

About the Group

Incorporated in 2008, J K Sons Engineers Private Limited (JKSEPL) is promoted by Mr. Jai

Prakash Agarwal. The company manufactures PP Woven Sacks, Block Bottom Sacks and BOPP Sacks with an installed capacity of 15000 MTPA.

Analytical Approach

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Bilaspur Mining Industries Private Limited (BMITPL) and J K Sons Engineers Private Limited (JKSEPL), together referred to as 'Bilaspur Group' (BG). The consolidation is in the view of common management, operational linkages between the entities and a similar line of business.

Extent of consolidation: Full.

Key Rating Drivers

Strengths

Experienced management

The group has established strong presence of over two decades in the plastic packaging industry. The operations of the group are aided by the extensive experience of more than two decades of Mr. Jai Prakash Agarwal, Mr. Pranav Prakash Agarwal, Mr. Satya Prakash Agarwal, and Mr. Malay Kumar Dutta thereby, assisting in the development of long term healthy relationships with the clientele. The strong clientele base has aided the group in achieving healthy scale of operations. The turnover levels of the group improved to Rs.431.72 Cr in FY2022 as compared to Rs.295.23 Cr in FY2021. The rise in the revenues is on account of the favourable demand scenario in FY2022. Further, the group achieved revenues of Rs.354.64 Cr till January, 2023 (provisional) and is expected to close the year with similar turnover as last year. Acuité believes that going forward, the scale of operations of the group will continue to remain healthy owing to the enhanced capacity and the strong demand from the user industries.

Above average financial risk profile

The group's above average financial risk profile is marked by modest networth, low gearing and comfortable debt protection metrics. The tangible net worth of the group improved to Rs.90.69 Cr in FY2022 as compared to Rs.80.30 Cr in FY2021 due to accretion of reserves. Acuité has treated unsecured loans of Rs.20.12 Cr in FY2022 as a part of networth as the management has undertaken to maintain this amount in the business over the medium term. The gearing of the group though deteriorated stood comfortable at 0.97 times as on March 31, 2022 as compared to 0.75 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.26 times as on March 31, 2022. The Interest Coverage Ratio stood healthy at 4.01 times as on March 31, 2022, however, the Debt Service Coverage Ratio stood moderate at 1.58 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.29 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the group will remain above average over the medium term, on account of the improving accruals over the medium term.

Further, the group has undertaken an expansion plan in FY2023 to enhance the production capacity by 7200 MTPA in BMITPL. The project is partly debt funded for which the group has availed a term loan of Rs.28.40 Cr out of which the majority amount is in the form of a capex LC to be converted into a TL in FY2025. The installation of the machinery is completed and the trial run has started. The commercial operations are expected to start in July, 2023.

Efficient working capital cycle

The efficient working capital management of the group is reflected by Gross Current Assets (GCA) days of 88 days in FY2022 as compared to 95 days in the previous period. The low GCA days are on account of comfortable inventory period which stood at 31 days in FY2022 as compared to 43 days in FY2021. Further, the debtor days stood also comfortable at 50 days in FY2022 similar as in FY2021. Acuité believes the working capital operations of the group is expected to remain at similar levels over the medium term owing to the comfortable inventory level and efficient collection mechanism.

Weaknesses

Fluctuations in the profitability margins

The operating margin of the group declined to 8.53 per cent in FY2022 as compared to 11.69 per cent in FY2021. Further, the PAT margin dipped to 2.23 per cent in FY2022 as against 4.92 per cent in FY2021. The decline in the margins are primarily on account of rise in the prices of the raw material i.e. plastic granules on account of rise in the crude oil prices. Acuité believes any changes in the prices of crude oil are expected to significantly impact the profitability margins of the group.

Competitive and fragmented nature of the industry

The group is operating in a competitive and fragmented industry. There are several players engaged in the Plastic Packaging industry in the 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.

Rating Sensitivities

- Sharp revenue growth
- Improvement in the profitability margins
- Sustenance of the capital structure

Material covenants

None

Liquidity Position: Adequate

The liquidity position of the group is adequate marked by high net cash accruals of Rs.25.46 Cr in FY2022 as against the maturing debt obligations of Rs.12.57 Cr over the same period. Further, the current ratio stood comfortable at 1.66 times as on March 31, 2022 as compared to 1.46 times as on March 31, 2021. The cash and bank balances of the company stood at Rs.7.56 Cr as on March 31, 2022. The fund based limit remains utilised at 68 per cent over the six months ended January, 2023. Moreover, the efficient working capital management of the group is reflected by Gross Current Assets (GCA) days of 88 days as on March 31, 2022 as compared to 95 days as on March 31, 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to the gradually improving accruals.

Outlook: Stable

Acuité believes that the outlook of the company will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, the healthy scale of operations and the above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving stability in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or deterioration in the liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	431.72	295.23
PAT	Rs. Cr.	9.62	14.52
PAT Margin	(%)	2.23	4.92
Total Debt/Tangible Net Worth	Times	0.97	0.75
PBDIT/Interest	Times	4.01	5.43

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>
- Application Of 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Feb 2022	Letter of Credit	Short Term	2.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Term Loan	Long Term	11.12	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	2.22	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	0.16	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	18.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Proposed Bank Facility	Long Term	4.05	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	1.13	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	1.72	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Working Capital Demand Loan	Long Term	1.80	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Working Capital Demand Loan	Long Term	5.80	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
20 Aug 2021	Term Loan	Long Term	11.12	ACUITE BBB+ Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	0.16	ACUITE BBB+ Stable (Upgraded from ACUITE BB)
	Proposed Bank Facility	Long Term	4.05	ACUITE BBB+ Stable (Upgraded from ACUITE BB)
	Cash Credit	Long Term	18.00	ACUITE BBB+ Stable (Upgraded from ACUITE BB)
	Letter of Credit	Short Term	2.00	ACUITE A2+ (Upgraded from ACUITE A4+)
	Working Capital Demand Loan	Long Term	1.80	ACUITE BBB+ Stable (Upgraded from ACUITE BB)

	Working Capital Demand Loan	Long Term	5.80	ACUITE BBB+ Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	1.13	ACUITE BBB+ Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	1.72	ACUITE BBB+ Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	2.22	ACUITE BBB+ Stable (Upgraded from ACUITE BB)
18 Feb 2021	Term Loan	Long Term	0.59	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	18.53	ACUITE BB (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	6.80	ACUITE BB (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	14.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Proposed Bank	Short		
	Guarantee	Term	1.03	ACUITE A4+ (Issuer not co-operating*)
	Proposed Cash Credit	Long Term	3.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.05	ACUITE BB (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.47	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.53	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.71	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.90	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A2 Downgraded (from ACUITE A1)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.54	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.38	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.23	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.65	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.02	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.80	ACUITE BBB+ Stable Assigned
								ACUITE BBB+

State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	28.40	Stable Assigned
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