

Press Release

Bidhata Industries Private Limited

May 07, 2019

Rating Reaffirmed



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 10.73 Cr. |
| Long Term Rating | ACUITE BB+ / Outlook: Stable |
| Short Term Rating | ACUITE A4+ |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.10.73 crore bank facilities of Bidhata Industries Private Limited (BIPL). The outlook is '**Stable**'.

The rating reaffirmation reflects steady growth in the revenues, while improving its profitability. The revenues have improved slowly from Rs.112.5 crore in FY2017 to Rs.120.0 crore in FY2018; they have grown significantly by 35 per cent to Rs.162 crore on provisional basis in FY2019. Also, the profitability margins have improved from 3.3 per cent in FY2016 to 4.9 per cent in FY2018. However, its gross current assets (GCA) have increased considerably from 44 days in FY2016 to 107 days in FY2018; increase in GCA has impacted its financial risk profile. The gearing (debt-to-equity) and total outside liabilities to tangible net worth (TOL/TNW) has deteriorated from 0.79 and 1.36 times in FY2016 to 1.52 and 2.56 times respectively by FY2018 and its likely to be at similar levels in FY2019. Acuité believes that experienced management and reputed client – Raymond Limited are expected to support its business and credit risk profile over the medium term.

The Mumbai based, Bidhata Industries Private Limited was incorporated in 1977 promoted by Mr. Rajendra Kumar Pachariwala and his father, Mr. Manoharlal Pachariwala. The Company is engaged in the processing of grey fabrics into finished fabrics on outright sale as well as on job-work basis majorly to Raymond Limited.

About the Group:

Bidhata Fashions Private Limited (BFPL), incorporated in 2009, is promoted by Mr. Rajendra Manoharlal Pachariwala and Mrs. Manjulata Pachariwala.

Bidhata Garments Private Limited (BGPL), incorporated in 2007, is promoted by Mr. Rajendra Manoharlal Pachariwala, Rohit Pachariwala Sumeet Subhash Kapoor.

Bidhata Texport Private Limited (BTPL), incorporated on 12/01/2006, is promoted by Mr. Rajendra Manoharlal Pachariwala Mrs. Manjulata Pachariwala Mr. Shriram Ganesh Soni.

All the entities are engaged in supply of material or services majorly to Raymond Ltd.

Analytical approach:

For arriving at the ratings, Acuité has consolidated the business and financial risk profiles of Bidhata Industries Private Limited, Bidhata Garments Private Limited, Bidhata Texports Private Limited and Bidhata Fashion Private Limited together referred to as Bidhata group. The consolidation is due to common promoters/directors, common line of business with operational synergies between the entities. Extent of Consolidation: Full

Key Rating Drivers

Strengths

- **Experienced management**

The promoters have experience of more than three decades in the garment processing industry with strong relationship with its client – Raymond Limited. The group supplies fabric to Raymond Limited either on job work or outright sale basis for over three decades; reflected in steady revenue growth at a compound annual growth rate (CAGR) of about 10 per cent over the past three years through FY2018 at Rs.120.02 crore. Further, the group has reported about Rs.168.00 crore for FY2019 (Provisional). Acuite believes that Bidhata Group's longstanding presence, promoters' entrepreneurial experience and experienced team, and client relationship are expected to support in improving the business risk profile of the group over the medium term.

- **Efficient working capital management:**

Bidhata Group's working capital operations are efficiently managed as evident from Gross Current Assets (GCA) of 44-107 days historically due to prudent inventory management, and efficient collection of trade receivables; though the same have increased from low levels of below 30 days in the past. GCA has increased to 107 days in FY2018 against 44 days in FY2016. Further, they are expected to be at similar levels. This results in moderate reliance on bank lines at about 65 percent over six months through March 2019. Acuite believes that Bidhata Group's operations continue to be efficiently managed supported by efficient collection mechanism and in time inventory levels.

Weaknesses

- **Moderate scale of operations with revenue concentration, and high competitive intensity**

The revenues of Bidhata Group is moderate despite the group being in this line of business for more than four decades. The group reported revenues of Rs.120.02 crore in FY2018 as against Rs.112.56 crore in FY2017 with a growth of 6.21 percent from FY17 to FY18. Further, the textile industry is highly fragmented in nature, characterised by the presence of a large number of players. This has resulted in intense competition among the players, thereby restricting the pricing flexibility or elongation of working capital cycle. Further, its revenues are completely skewed towards a single client – Raymond Limited, limiting the revenue growth potential.

- **Moderate financial risk profile**

Bidhata Group's financial risk profile is marked by moderate capital structure and debt protection measures. The capital structure is moderate marked by moderate gearing and total outside liabilities to total net worth (TOL/TNW) of 1.52 times and 2.56 times as on March 31, 2018 as against 1.26 times and 2.10 times respectively as on March 31, 2017. The gearing and TOL/TNW have deteriorated sharply from 0.79 and 1.36 times in FY2016. Further, with increasing scale of operations and elongated working capital cycle from 18 days in FY2016 to 47 days in FY2018 with corresponding GCA of 107 days, the working capital requirement is expected to increase further. The group's net worth is modest at around Rs.13.29 crore as on March 31, 2018 against Rs.10.93 crore in FY2017. The net worth has improved due to accretion to reserves. The moderate profitability coupled with moderate gearing levels have resulted in moderate debt protection metrics with interest coverage ratio of 2.86 times and NCA/TD of 0.16 times for FY2018. Going forward, gearing and TOL/TNW are expected to improve marginally though outweighed by increasing debt levels for the operations and financial risk profile is expected to improve.

Liquidity Position:

Bidhata Group's liquidity is adequate marked by moderate net cash accruals to its maturing debt obligations. The group has generated cash accruals of Rs.3.19 crore in FY2018; cash accruals of Bidhata Group are estimated to remain around Rs.3.50-5.00 crore during 2019-21, while its repayment obligations are estimated to be about Rs.0.6 crore during the same period. The group's operations are efficiently managed as marked by Gross Current Assets (GCA) of about 10 days in FY2018. This has led to moderate reliance on working capital borrowings; the fund based limit is utilised at 65 percent during the last 6-month period ended March 2019. The current ratio stood at 1.38 times as on March 31, 2018. Acuite believes that the liquidity is expected to be adequate at similar levels in the absence of any significant capex plans and moderate accruals to obligations.

Outlook: Stable

Acuite believes that Bidhata Group will maintain a 'Stable' outlook over the medium term backed by its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenues while sustaining the profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management, or any significant debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 120.02 | 112.56 | 100.30 |
| EBITDA | Rs. Cr. | 5.93 | 4.47 | 3.28 |
| PAT | Rs. Cr. | 2.47 | 1.44 | 0.94 |
| EBITDA Margin | (%) | 4.94 | 3.97 | 3.27 |
| PAT Margin | (%) | 2.05 | 1.28 | 0.93 |
| ROCE | (%) | 17.82 | 16.81 | 28.35 |
| Total Debt/Tangible Net Worth | Times | 1.52 | 1.26 | 0.79 |
| PBDIT/Interest | Times | 2.86 | 2.98 | 2.89 |
| Total Debt/PBDIT | Times | 3.35 | 3.05 | 2.28 |
| Gross Current Assets (Days) | Days | 107 | 75 | 44 |

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

None

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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 |
|-------------|---------------------------------|------------|------------------|--------------------------------|
| 10-Feb-2018 | Cash Credit | Long Term | 10.00 | ACUITE BB+ / Stable (Assigned) |
| | Term Loan | Long Term | 0.48 | ACUITE BB+ / Stable (Assigned) |
| | Bank Guarantee | Short Term | 0.25 | 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 |
|------------------------------------|------------------|----------------|----------------|-----------------------------|--------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 9.15 | ACUITE BB+/Stable (Reaffirmed) |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.25 | ACUITE A4+ (Reaffirmed) |
| Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 1.33 | ACUITE BB+/Stable (Reaffirmed) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 0.48 | ACUITE BB+/Stable (Withdrawn) |

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About Acuite Ratings & Research:

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