

Press Release

Bidhata Industries Private Limited

December 21, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

The rating re-affirmation considers its steady operational performance, supported by its established market position and extensive experience of its promoters and long-standing relationship with its leading customers ensuring repeated orders. The rating is constrained by the company's modest scale of operations; expected decline in revenues in FY2021 due to the pandemic, fragmented nature of the industry and the vulnerability of the company's profitability to adverse fluctuations in raw material prices.

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

About the Group Companies:

Bidhata Fashions Private Limited (BFPL) incorporated on 01/04/2009 is promoted by Mr. Rajendra Manoharlal Pacheriwala and Mrs. Manjulata Pacheriwala.

Bidhata Garments Private Limited (BGPL) incorporated on 11/07/2007 is promoted by Mr. Rajendra Manoharlal Pacheriwala, Rohit Pacheriwala Sumeet Subhash Kapoor.

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

All the Group entities are engaged in the 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 and with operational synergies among the entities. Extent of Consolidation: Full

Key Rating Drivers

Strengths

• Experienced management

The promoters have experience of more than 3 decades in the textile processing industry with a strong relationship with its client – Raymond Limited. The group entities supply fabric to Raymond Limited both on job work or outright sale basis for over 3decades; reflected in steady revenue growth and repeated business. The group has reported revenues about Rs.135 crore for FY2020 (Provisional). Acuité believes that Bidhata Group's longstanding presence, experienced management and

reputed client – Raymond Limited is expected to support its business and credit risk profile 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 113-141 days historically ended with FY2020; due to prudent inventory management in the levels of 29-40 days in the past. Its receivable days are elongated in the range of 70-108 during last years ended with as on March 31, 2020. The company is able to stretch its credit terms in the range of 57-71 days during last years ended with as on March 31, 2020. This led to moderate utilisation of its bank lines at about 73 percent over the past 10 months ended October 2020. Acuité believes that Bidhata Group's operations continue to be efficiently managed supported by efficient collection mechanism and in time inventory levels.

Weaknesses

- **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 1.43 times and 2.37 times as on March 31, 2020 as against 1.64 times and 2.81 times respectively as on March 31, 2019. The gearing and TOL/TNW have deteriorated sharply from 0.79 and 1.36 times in FY2016. The group's net worth is modest at around Rs.19.87 crore as on March 31, 2020. The moderate profitability coupled with moderate gearing levels have resulted in moderate debt protection metrics with an interest coverage ratio of 2.69 times and NCA/TD of 0.17 times for FY2020 vis à vis 3.32 times and NCA/TD of 0.15 times for FY2019. Acuité believes that the financial risk profile of the group is expected to moderate with regular accretions to reserves and the absence of major debt funded capital expenditure.

- **Moderate scale of operations with revenue concentration, and high competitive intensity due to fragmented nature of the fabric processing industry.**

The revenues of Bidhata Group are moderate despite the group being in this line of business for over 3 decades. Bidhata Group reported revenues of Rs.135.17 crore in FY2020 (provisional) as against Rs.142.10 crore in FY2019, a decline of ~4.90%, owing to lower realisations and lower sales in the month of March 2020 on the back of the nationwide lockdown. In the current financial year, Bidhata Group's faced a decline in volumes and performance for the year is expected to remain weak due to the Covid-19 concern. Acuité believes that the ability of the company to sustain its scale of operations and the profitability will be a key rating sensitivity.

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.

Liquidity Position: Adequate

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.3.19-4.82 Cr during FY2018-FY2020 as against its repayment obligations are estimated to be about Rs.0.6 Cr-0.90 Cr during the same period; cash accruals of Bidhata Group are estimated to remain around Rs.3.50-5.00 crore during 2021-22, 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 113-141 days in during last three years ended through FY2020. This has led to moderate reliance on working capital borrowings; the fund based limit is utilised at 73 percent during the last 6-months period ended October 2020. The current ratio stood at 1.55 times as on March 31, 2020. Acuité 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.

Rating Sensitivities

- Significant improvement in scale of operations, while improving its profitability margins
- Any further large debt funded capital expenditure, impacting the financial risk profile adversely.
- Stretch in the working capital cycle

Material covenants

None

Outlook: Stable

Acuité 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 the deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	135.17	142.10
PAT	Rs. Cr.	3.88	3.07
PAT Margin	(%)	2.87	2.16
Total Debt/Tangible Net Worth	Times	1.43	1.64
PBDIT/Interest	Times	2.69	3.32

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-May-2019	Cash Credit	Long Term	9.15	ACUITE BB+/Stable (Reaffirmed)
	Bank guarantee	Short Term	0.25	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.33	ACUITE BB+/Stable (Reaffirmed)
	Term Loan	Long Term	0.48	ACUITE BB+ (Withdrawn)
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	8.00	ACUITE BB+/Stable (Reaffirmed)
Term loan	20-08-2020	Not Available	30-10-2022	0.75	ACUITE BB+/Stable (Reaffirmed)
Term loan	20-04-2020	Not Available	30-06-2025	0.92	ACUITE BB+/Stable (Reaffirmed)
Working Capital Term loan	11-06-2020	Not Applicable	31-05-2022	0.80	ACUITE BB+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BB+/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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