



Press Release
Brahmaputra Cracker And Polymer Limited
March 20, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2303.20	ACUITE AA+ Stable Reaffirmed	-
Bank Loan Ratings	300.00	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	2603.20	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AA+**' (read as **ACUITE double A plus**) and short-term of '**ACUITE A1+**' (read as **ACUITE A one plus**) on the Rs. 2603.20 Cr. bank facilities of Brahmaputra Cracker and Polymer Limited (BCPL). The outlook is '**Stable**'.

Rationale for the rating

The rating takes into account the company's robust financial risk profile driven by minimal dependence on external debt as the company has prepaid a significant portion of external borrowings. This prepayment was funded through large inflow of subsidies and grants from Central and State Government of Assam over the last few years. Further, the ratings also factor in the company's strong business profile as reflected from its established presence in polymer business along with healthy operational performance (capacity utilization >95%) and strategic linkages with leading PSUs in the oil and gas sector. The company's manufacturing unit is continuously operating at optimum capacity during the last 2 years due to a gradually improving demand scenario for petrochemical products. The rating is constrained by a substantial increase in the price of raw material i.e, natural gas, due to the prolonged Russia-Ukraine war. As, a result, the operating margin of BCPL reduced sharply to 14.57 per cent in FY2023 as compared to 38.95 per cent in FY2022. Further, the stagnation in the polymer prices leading to an inability to pass on the input costs to the full extent, has further impacted BCPL's profitability which can be seen from the EBITDA margin of the company which stood at 4.63% in 9MFY24. The company is operating in an industry which has inherent cyclicity and is further exposed to the prices of imported products.

About the Company

Brahmaputra Cracker and Polymer Limited (BCPL) was incorporated in 2007 as a joint venture between GAIL (India) Limited (GAIL), Oil India Limited (OIL), Numaligarh Refinery Limited (NRL) and Government of Assam (GoA) with GAIL holding majority stake of 70.00 percent. BCPL is engaged in manufacturing of High Density Polyethylene (HDPE) and Linear Low Density Polyethylene (LLDPE) with a capacity of 220,000 tonnes per annum (TPA) and Poly-Propylene (PP) with a capacity of 60,000 TPA. The other products include Hydrogenated Pyrolysis Gasoline and Pyrolysis Fuel Oil. BCPL has its cracker complex located at Duliajan, Lakwa and Lepetkata in Assam. The directors are Mr. Pruthiviraj Dash, Mr. Raman Kumar Trivedi, Mr. Subramoney Lakshmanan, Mr. Harish Madhav, Mr. Bhaskar Jyoti Phukan, Mr. Sandeep Kumar Gupta, Ms. Meenaxee Priyadarshinee Medhi, Mr. Alope Kumar Naskar, Mr. Pranjal Changmai, Mr. Vikas Gupta, Mr. Bikram Kairi and Mr. Rakesh Mishra.

Unsupported Rating

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of Brahmaputra Cracker and Polymer Limited to arrive at the rating. However, Acuité has taken into account the strong parentage of the entity by way of shareholding held by Gas Authority of India Limited.

Key Rating Drivers

Strengths

Demonstrated support from GoI and State government of Assam

BCPL is a joint venture between GAIL, OIL, NRL and GoA with GAIL holding 70.00 percent, OIL, NRL and GoA each holding 10.00 percent respectively. The company has strategic importance as it is formed under Assam Accord of 1985 to promote economic development in Assam. As per the arrangement with various shareholders, BCPL will get the raw material from OIL and NRL, the land from GoA and all the technical and operational support from GAIL. GAIL, the single largest shareholder with 70 percent stake in BCPL was incorporated in August 1984 as a central public sector undertaking (PSU) under the Ministry of Petroleum and Natural Gas (MoPNG). BCPL has signed the marketing agreement with GAIL by which all the production of BCPL will be sold by using GAIL's marketing channels. The board of directors of BCPL comprises of representatives from all stakeholders. BCPL procures the raw materials i.e. gas from ONGC and OIL and naphtha mainly from NRL. BCPL has signed the feedstock agreement by which the pricing is governed by the Government of India. This has benefited BCPL to procure the raw materials at discounted prices compared to market rates. BCPL is exempted from paying value added tax on purchase of Natural Gas for a period of 15 years (02 January 2016 to 01 January 2031) by State Government of Assam. The ownership pattern of BCPL, support from GAIL and credit rating of GAIL will remain key rating sensitivities.

Robust financial risk profile

The robust financial risk profile of the BCPL is marked by its very high net worth, comfortable gearing and strong debt protection metrics. The net worth stood at Rs. 2984.72 Cr. as on 31st March'2023 as compared to Rs. 3055.11 Cr. in the previous year. The gearing of the company saw minuscule dip of 6 bps and stood at 0.10 times as on 31st March 2023 as against 0.04 times as on 31st March 2022. TOL/TNW stood at 1.83 times in FY23 as against 1.73 times in FY22. BCPL continued to report a strong interest coverage ratio of 131.48 times as on 31st March, 2023 and debt service coverage ratio of 117.72 times as on 31st March, 2023. The Net Cash Accruals to Total Debt (NCA/TD) stood at 1.65 times in FY2023 as compared to 9.63 times in the previous year. Going forward, Acuité believes the financial risk profile will remain robust over the medium term.

Healthy Scale of operation

The company has achieved a revenue of Rs 3701.02 Cr. in FY23 as compared Rs 3458.24 Cr. in FY22 marking a growth of 7.02%. BCPL is partially diversified based in fuel sourcing terms as the unit is 65 per cent natural gas dependent and 35 per cent Naptha dependent. Acuité believes that the sustainability in the revenue growth would be a key monitorable going forward.

High entry barrier

Petrochemical business is highly capital intensive in nature and currently, there are only six players in India who have an operational cracker complex. BCPL was formed as per Assam Accord to promote economic development in the State of Assam, so the company continues to enjoy support from the Central government and GoA. This will create an entry barrier for any potential new entrant.

Weaknesses

Exposure to volatile crude oil and polymer prices

Polymer prices are linked with crude oil price fluctuations with a higher degree of volatility in the recent past. This will be further aggravated with the petrochemical sector trying to navigate through uncertain and volatile times, facing uncertain crude oil prices which is driven by multiple factors including OPEC production cuts, the sanctions on Russia and the global slowdown. Further, the lower consumption and economic growth in other economies is resulting into higher dumping of polymers due to no restriction on polymer import as India is net

importer of polymers. Acuité expects that the revenues and margins of BCPL will remain exposed to the fluctuations in petrochemical prices, the competitive landscape and demand for polymers as also the level of volatility in the feed stock prices and the import trends.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Any material change in the shareholding pattern
- Product diversification and capacity addition
- Any structural impact on the operating margins due to government policies and regulations

Liquidity Position

Strong

Albeit dip in cash accruals for FY23 the company's liquidity profile remained strong as indicated from its healthy net cash accrual of Rs. 496.06 Cr. as compared to Rs 1052.42 Cr. in FY22. The cash accrual is sufficient as there is no current maturity for FY23. Going forward, the cash accruals are expected to be in the range of Rs. 400-500 Cr. as compared to Rs. 115.24 Cr. repayment in FY24 and 14.97 Cr. in FY25. The company has moderate working capital requirement as GCA days stood at 164 days in FY23. However, the company has working capital of Rs 850 Cr, which remains unutilized giving adequate legroom for growth capital in the form of unutilized bank limits. Company's debt equity position of 0.10 times in FY23 shows sufficient opportunity to manage funds for the capex without much compromising the comfortable capital structure of the company. Acuité expects the liquidity position of the company to remain strong over the medium term supported by its association with reputed promoters with strong financial flexibility and inflow of subsidies & grants.

Outlook: Stable

Acuité believes that the outlook on BCPL will remain 'Stable' on account of the demonstrated support from Gol and State government of Assam, sound business position and robust financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue 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 company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	3701.02	3458.24
PAT	Rs. Cr.	134.23	690.53
PAT Margin	(%)	3.63	19.97
Total Debt/Tangible Net Worth	Times	0.10	0.04
PBDIT/Interest	Times	131.48	20.35

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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
28 Dec 2022	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	350.00	ACUITE AA+ Stable (Reaffirmed)
	Letter of Credit	Short Term	60.00	ACUITE A1+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1953.20	ACUITE AA+ Stable (Reaffirmed)
	Proposed Short Term Loan	Short Term	200.00	ACUITE A1+ (Reaffirmed)
11 Oct 2021	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	350.00	ACUITE AA+ Positive (Reaffirmed)
	Letter of Credit	Short Term	60.00	ACUITE A1+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1569.61	ACUITE AA+ Positive (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	200.00	ACUITE A1+ (Reaffirmed)
	Term Loan	Long Term	304.20	ACUITE AA+ (Reaffirmed & Withdrawn)
	Term Loan	Long Term	383.59	ACUITE AA+ Positive (Reaffirmed)
03 Sep 2021	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	350.00	ACUITE AA+ Positive (Reaffirmed)
	Letter of Credit	Short Term	60.00	ACUITE A1+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1465.41	ACUITE AA+ Positive (Reaffirmed)
	Term Loan	Long Term	304.20	ACUITE AA+ Positive (Reaffirmed)
	Term Loan	Long Term	383.59	ACUITE AA+ Positive (Reaffirmed)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A1+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	350.00	ACUITE AA+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	125.00	ACUITE AA+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE A1+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1453.20	ACUITE AA+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	200.00	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	125.00	ACUITE AA+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	125.00	ACUITE AA+ Stable Reaffirmed
Central Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	125.00	ACUITE AA+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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