

Press Release

BBM Acoustic India Private Limited

D-U-N-S® Number: 65-021-4195

February 08, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 25.00 crore bank facilities of BBM Acoustic India Private Limited. The outlook is '**Stable**'.

Pune based BBM Acoustic (India) Private Limited (BAPL) is a 100 per cent subsidiary of the Muller BBM Holding AG (MBBM group). The company is promoted and managed by Dr. Claudio Milazzo, Mr. Johannes Dietmann and Mr. Arunabh Tamalkumar Mazumdar. BAPL is engaged in Design, Engineering, and Manufacturing of acoustic products like silencers, exhaust silencer, steel turbine enclosure, gas turbine enclosure and many more. The MBBM group offer Acoustic solutions like engineering services, special technical products and software etc. The company exports around 40 percent to group company and remaining is supplied to domestic players like L&T, BHEL, Indian Navy and many more. The company has its own manufacturing unit at Pune.

Analytical Approach

Acuite has taken a standalone business and financial risk profile of the company to evaluate the credit profile of BAPL and subsequently factored in the benefits derived from the strong business linkages and financial support from the parent company MBBM Group. The rating has been notched up for group support from MBBM group.

Key Rating Drivers

Strengths

• Experienced management

BAPL is a 100 per cent subsidiary of MBBM Group, a German-based company. BAPL is engaged in the Design, Engineering, Manufacturing and supply of Flue Gas Exhaust Silencers, Blow off Silencers, Splitter Silencers for Gas Acoustic Enclosures for Gas Turbines, Steam Turbines, Diesel Engines Bfp, Compressors, and Presses among other products. Muller BBM Group has 28 subsidiaries majorly in Germany and the group has worldwide presence over 5 decades in this line of business. BAPL is promoted and managed by Dr. Claudio Milazzo, Mr. Johannes Dietmann and Mr. Arunabh Tamalkumar Mazumdar. Since 1981, Mr. Johannes Dietmann (Director) is associated with this group and has gained expertise in this acoustic industry. Dr. Claudio Milazzo with experience of a decade supports and helps in developing new techniques. Arunabh Tamalkumar Mazumdar, another director looks after the project execution and targeting new customers.

• Facilities partly secured by SBLC from UniCredit Bank AG

The Axis bank facilities to BAPL comprises fund based facilities of Rs.14.00 cr and non-fund based facilities of Rs.11.00 cr which is secured by a SBLC from Unicredit Bank AG of Rs.9.02 cr. The SBLCs are renewed on an annual basis.

• Support from Parent company

BAPL is a wholly owned subsidiary of MBBM through the intermediary parent company-BBM Akustik Technologie GmbH. It has received letter of comfort from Parent company BBM Akustik Technologie GmbH for the entire credit limits sanctioned from Axis Bank. The Parent company, BBM Akustik

Technologie GmbH has infused unsecured loans and the same is converted into equity amounting to the tune of ~Rs. 18.87 crore as on 22nd October, 2018. Thereby improving the capital structure of the BAPL.

Weaknesses

• Moderate financial risk profile

BAPL has below average financial risk profile marked by low net worth, high gearing and negative debt protection matrix. The net worth stood low at Rs.1.82 crore as on March 31, 2018 due to operational losses in past three years. But the company is supported by its group (MBBM group) which has infused unsecured loans amounting to Rs. 18.58 cr which are converted into equity in October, 2018. Thus, resulting in improvement of networth. Also the company has no further capex plans. Acuite believes that the leverage ratios to improve thereby improving financial risk profile of the company.

• Foreign exchange fluctuation risk

The profitability margins of the company are exposed to foreign exchange fluctuation risk as all its liabilities are considered in Euros wherein the Euro rates are highly volatile. Any adverse effect of the foreign exchange fluctuation rates will directly impact the profitability margins of the company.

Liquidity Position

BAPL has low liquidity marked by negative net cash accruals to its maturing debt obligations. BAPL generated negative net cash accruals of Rs.3.61 crore in FY2018 due to exceptional loss in that year while its maturing debt obligations were Rs.1.78 crore for the same period. However, the repayment of FY2018 has been supported by infusion of unsecured loans from the parent company.

Outlook: Stable

Acuite expects BAPL to maintain its stable credit risk profile backed by the promoter's strong experience in the Acoustic industrial structure and healthy order book. The outlook may be revised to 'Positive' in case there will be substantial and sustained improvement in the BAPL's financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than anticipated profitability, or in case of elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	50.20	33.40	12.56
EBITDA	Rs. Cr.	-1.33	-4.08	-0.75
PAT	Rs. Cr.	-6.65	-9.82	-3.15
EBITDA Margin	(%)	-2.65	-12.22	-5.94
PAT Margin	(%)	-13.25	-29.40	-25.06
ROCE	(%)	-12.40	-26.92	-22.79
Total Debt/Tangible Net Worth	Times	17.58	3.00	1.83
PBDIT/Interest	Times	-0.40	-1.46	-0.59
Total Debt/PBDIT	Times	-30.55	-6.97	-20.86
Gross Current Assets (Days)	Days	281	328	248

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*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	12.00	ACUITE BBB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A3

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About Acuité Ratings & Research:

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