

## Press Release

BBM Acoustic India Private Limited

June 08, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	13.00	-	ACUITE A3+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as ACUITE triple B) and short-term rating of '**ACUITE A3+**' (read as ACUITE A three plus) on the Rs.25.00 crore bank facilities of BBM Acoustic India Pvt. Ltd. The outlook is '**Stable.**'

### About the Company

Incorporated in 2005, Pune-based BBM Acoustic India Pvt. Ltd. (BAPL) is a 100 per cent subsidiary of BBM Akustic Technologie GmbH, Germany and ultimate subsidiary of the Muller BBM Holding AG (MBBM group). BAPL is engaged in designing, engineering, and manufacturing of acoustic products like silencers, exhaust silencer, steel turbine enclosure, gas turbine enclosure, etc. The company has its manufacturing facility at Pune.

### Analytical Approach

Acuite has taken the standalone financial and business risk profiles of BAPL to evaluate the credit profile and while doing so the team has factored in the benefits derived from the strong business linkages and financial support from the ultimate holding company – MBBM Group.

### Key Rating Drivers

#### Strengths

##### > Experienced management and established track record of operations

BAPL, a 100per cent subsidiary of BBM Akustic Technologie GmbH and ultimate subsidiary of MBBM Group, is engaged in designing, engineering, manufacturing and supply of acoustic equipment such as Flue Gas Exhaust Silencers, Blow off Silencers, Splitter Silencers for Gas Acoustic Enclosures for Gas Turbines, etc. The company mainly caters to thermal power plants. MBBM Group, with its 28 subsidiaries majorly in Germany, has worldwide presence of over 5 decades in the business of acoustic. Mr. Arunabh Mazumdar, director of BAPL and who is associated with BAPL since inception and who looks after the project execution and targeting new customers, has over 3 decades of experience. Further, The company has unexecuted order book of over Rs.96 crore as on March 31, 2022.

### > **Moderate Financial risk profile**

Financial risk profile of the company is moderate marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood at Rs. 51.21 Crore as on 31 March 2022(Prov.) as against Rs. 44.12 Crore as on 31 March 2021. Gearing level (debt-equity) stood improved at 0.16 times as on 31 March 2022(Prov.) as against 0.23 times as on 31 March 2021. The total debt of the company is Rs. 8.29 Crore as on 31 March 2021 which comprises of only working capital borrowings. Coverage ratios stood healthy as evident from interest coverage ratio (ICR) of 22.92 times in FY2022(Prov.) as against 22.15 times in FY2020. Further, debt servicing coverage ratio stood at 3.22 times for FY2022(Prov.) as against 5.24 times for FY2021. Further, NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.84 times in FY2022(Prov.). Also, Debt to EBITDA stood low at 0.91 times in FY2022(Prov.).

### **Weaknesses**

#### > **Intensive working capital requirements**

BBM Acoustic India operates in working capital intensive industry as evident from Gross Current Assets (GCA) days of 297 days for FY2022(Prov.) as against 281 days for FY2021. Deteriorated GCA days are due to increase in inventory days from 125 days in FY2021 to 143 days in FY2022(Prov.), the increase in inventory days is mainly due to the disruption caused by Covid-19 pandemic and also as on balance sheet date the company had higher inventory of raw material. The company had higher raw material inventory as the prices for raw material were rising up significantly. Further, debtor days stood at 63 days as on 31 March 2022(Prov.) as against 55 days in previous year. Current Ratio stood at 2.42 times as on 31 March 2021 as against 2.00 in the previous year.

#### > **Risk of fluctuation in foreign exchange and raw material prices**

The profitability of BAPL is susceptible to fluctuation in prices of key raw material, i.e. steel and in foreign exchange. Despite over 65 per cent of revenue coming from export business, the company has not availed any foreign exchange hedging instrument. Thus, any adverse movement in foreign exchange rate will directly impact the profitability of the company. Given the pricing of orders is fixed in advance, there is almost no comfort to pass on any sudden rise in raw material prices.

### **Rating Sensitivities**

- > Further deterioration in profitability margins resulting in deterioration in financial risk profile
- > Elongation of working capital cycle

### **Material covenants**

None

### **Liquidity Position: Strong**

BBM Acoustic India has strong liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 6.95 Cr. in FY2022(Prov.) as against nil debt repayment obligation for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 7.68 Crore to Rs. 9.63 Crore during FY23-24 as against nil repayment obligation. The company's working capital operations are intensive marked by gross current asset (GCA) days of 297 days. However, the fund based bank limits were only utilized at an average of 30.57 percent for last 6 months ending April 2022. Further, the company maintains unencumbered cash and bank balances of 13.03 Cr as on 31 March 2022(Prov.). The current ratio stands at 2.42 times as on 31 March 2022(Prov.).

### **Outlook: Stable**

Acuité expects BAPL would maintain 'Stable' outlook backed by the promoter's strong experience in the acoustic business and higher order book. The outlook may be revised to 'Positive' in case there is sustained improvement in the BAPL's financial and business risk profiles. 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.

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	74.23	70.21
PAT	Rs. Cr.	5.34	11.18
PAT Margin	(%)	7.20	15.92
Total Debt/Tangible Net Worth	Times	0.16	0.23
PBDIT/Interest	Times	22.92	22.15

### 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>
- 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>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Apr 2021	Bank Guarantee	Short Term	13.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
22 Jan 2020	Letter of Credit	Short Term	1.00	ACUITE A3+ (CE) (Upgraded from ACUITE A3)
	Term Loan	Long Term	6.00	ACUITE BBB (CE)   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB (CE)   Stable (Upgraded from ACUITE BBB-   Stable)
	Bank Guarantee	Short Term	8.00	ACUITE A3+ (CE) (Upgraded from ACUITE A3)
08 Feb 2019	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB-   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A3+   Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Rohan Gambhir Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:rohan.gambhir@acuite.in">rohan.gambhir@acuite.in</a>	

### About Acuité Ratings & Research

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