

Press Release

Bay Forge Private Limited

April 24, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BBB- /Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the above mentioned bank facilities of Bay Forge Private Limited (BFPL). The outlook is '**Stable**'.

Tamil Nadu based, Bay Forge Private Limited (BFPL) was incorporated in 1990. The company is engaged in forgings and manufacturing of rolled rings. The directors are Mr. Adaikalam Christopher Amirtharaj Julian, Mr. Jacopo Guzzoni, Dr. Massimo Guzzoni, Mr. Vincenzo Vaccari and Mr. Marco Gelfi. The Italy based, FOMAS S.p.A. (Parent company) is the major shareholder (i.e. 99.85 percent) of BFPL.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of BFPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations with managerial and financial support from parent company**

BFPL is incorporated in 1990, thus, having an operational track record of over three decades. BFPL is well supported from its group, FOMAS. FOMAS group was founded in 1956 by Professor Gastone Guzzoni. BFPL has been supported in form of operational, managerial and financial support from its parent company, i.e., FOMAS S.p.A., Italy. BFPL purchases around 20 per cent of its raw materials from its parent. BFPL also shares a common director family with its parent, Guzzoni family. Further, FOMAS S.p.A., Italy has equity investment of Rs.144.27 crore as on 31 March 2018 and Rs.16.00 crore in form of redeemable cumulative preference shares which accounts to ~99.85 per cent of total shareholding. Hence, a long track record of operations, vast experience of management and support from its parent company has helped the company develop healthy relationship with its customers and suppliers. Acuité believes that BFPL will sustain its existing business profile on the back of established track record of operations and managerial and financial support from FOMAS S.p.A.

- **Reputed clientele**

The company caters to reputed customers such as SIEMENS, Bharat Heavy Electricals Limited (BHEL), Larsen & Toubro (L&T) and ISGEC Heavy Engineering Limited, among others. They have well established relationships with these clients.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by net worth of Rs.145.31 crore as on 31 March, 2018 as against Rs.141.83 crore as on 31 March, 2017. The gearing (debt-equity) stood low at 0.01 times as on 31 March, 2018 as against 0.14 times as on 31 March, 2017. The total debt of Rs. 1.36 crore as on 31 March, 2018 is working capital facility. Interest Coverage Ratio (ICR) stood healthy at 13.07 times for FY2018 as against 18.82 times for FY2017. Net Cash Accruals to Total Debt (NCA/TD) ratio remained at 7.73 times in FY2018 and 1.38 times in FY2017. Debt to EBITDA stood at 0.12 times in FY2018 as against 0.67 times in FY2017. Acuité believes that the financial risk profile of the company is expected to remain healthy backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

• **Moderate scale of operations and uneven profitability**

The company has moderate scale of operations marked by operating income of Rs.129.99 crore in FY2018 as against Rs.137.87 crore in FY2017 and Rs.118.03 crore in FY2016. Further, the company has orders in hand of Rs. 66.45 crore as on 01 March, 2019 which is to be executed in FY2020, thus, showing revenue visibility over the near to medium term. EBITDA margins stood at 8.42 percent in FY2018 as against 20.43 percent in FY2017. Profit after Tax (PAT) margin stood at 2.61 percent in FY2018 as against 13.17 percent in FY2017.

Weaknesses

• **Profit margins are susceptible to volatility in raw material prices**

The prices of raw material (i.e. steel) are fluctuating in nature; therefore, the operating profit margins of BFPL are susceptible to raw material price fluctuation. The same can be noticed over a period of three years (i.e. FY2016 to FY2018), where operating margins have stood at 8.42 percent as compared to 20.43 percent in FY2017 and 4.87 percent in FY2016.

• **Competitive and fragmented industry**

BFPL has presence in highly fragmented and competitive industry. The company faces intense competition from various organized and unorganized players exerting pricing pressure. Acuité believes that the ability of the company to maintain the margins while recording growth would remain a key sensitivity.

Liquidity Position

The company has adequate liquidity marked by healthy net cash accruals against no debt obligations. The company generated cash accruals of Rs. 10.54 crore for FY2018 against no debt obligations for the same period. The cash accruals of the company are estimated to remain in the range of ~Rs. 16.00 crore to Rs. 17.00 crore against no debt obligation during 2019-21. The company's working capital operations are intensive marked by gross current asset (GCA) days of 245 days for FY2018. The company maintains unencumbered cash and bank balances of Rs. 3.17 crore as on 31 March 2018. The current ratio stands at 4.49 times as on 31 March 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	129.99	137.87	118.03
EBITDA	Rs. Cr.	10.94	28.17	5.75
PAT	Rs. Cr.	3.39	18.16	(7.20)
EBITDA Margin	(%)	8.42	20.43	4.87
PAT Margin	(%)	2.61	13.17	(6.10)
ROCE	(%)	2.77	13.11	(6.13)
Total Debt/Tangible Net Worth	Times	0.01	0.14	0.19
PBDIT/Interest	Times	13.07	18.82	2.33
Total Debt/PBDIT	Times	0.12	0.67	4.33
Gross Current Assets (Days)	Days	245	260	265

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

Not applicable

Any other information

None

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
<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

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About Acuité Ratings & Research:

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