

Press Release

Banashankari Industries Private Limited

December 04, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE BB/Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 10.00 crore bank facilities of Banashankari Industries Private Limited (BIPL). The outlook is '**Stable**'.

Banashankari Industries Private Limited (BIPL), an ISO 9001: 2015 certified company Head quartered at Bangalore, was started as a proprietary concern in the year 2000. It was later converted into a private limited company in 2008 and is engaged in carrying out purification of spent solvents, with specialized process including Simple Distillation, Fractional Distillation, Azeotropic and Vacuum Distillation. The manufacturing facilities are located at KIADB Industrial area at Malur with production capacity of 20 KL/Day.

About Group

Banashankari Group (BG) of company is a family owned business based in Bangalore having presence since 2000. The group is a leading spent solvent recycling in Karnataka and is specialised in the supply of recycled and reclaimed solvents, Toll Recovery of solvents and purchase of used and redundant solvents. The group also carry out purification of spent solvents, with specialized process including Simple Distillation, Fractional Distillation and Vacuum Distillation.

Analytical Approach

Acuite has considered consolidated financial and business risk profile of the Banashankari Group (BG) for arriving at the rating. The consolidation is based on common management, significant financial and operational synergy within the group. The consolidation is of Banashankari Chemicals Private Limited (BCPL), Banashankari Industries Private Ltd (BIPL), M/s BSK Pure Chem, M/s Sri Sai Industries and M/s Ind Pure Chem for consolidation purpose. Extent of consolidation: Partial

Key Rating Drivers

Strengths

- **Established track record and experienced promoters**

BG is in same industry, since 2000, and has established its market position as solvent recoverer's in Karnataka. The group is promoted by founder Mr. G. N. Murthy a Chemical Engineer and Mr. G. Manjunath, a Science Graduate who possess over two decade of experience in the chemicals and solvent industry. The extensive experience of the promoters has helped the group to establish long-standing relationships with its customers and suppliers. The group is also well supported by second line of management. Acuite believes group to benefit from experienced management and establish long standing relationship with its customers, suppliers.

- **Improving revenues and margins**

Banashankari Group (BG) has registered a Y-o-Y growth in revenues of 14.31 percent to Rs. 56.38 crores in FY2020 (Provisional) as against Rs. 49.32 crores in FY2019. The group is growing at CAGR of 15.76 percent since 2017 and registered revenue of Rs. 29.73 crores for six months ending September 2020 in FY2021. The group has been able to maintain its growth despite lockdown due to pandemic and is able to operate at full capacity in FY2020-21. The operating margin stood improved at 12.96 percent in FY2020 (Provisional) as against 12.03 percent in FY2019. However, net profit margins stood at 3.69 percent in FY2020 (Provisional) as compared to 4.45 percent in the previous year. The group

has orders worth Rs. 21.00 crores proving revenue visibility over the medium term.

Weaknesses

• Moderate Financial Risk profile

Banashankari Group's financial risk profile is marked by moderate net worth, gearing and debt protection metrics. The group's net worth has subsequently improved to Rs. 18.01 crore as on March 31, 2020 (Provisional) as against Rs. 16.18 crore as on March 31, 2019. The group has followed a moderate leverage policy in the past, the same is reflected through its peak gearing level of 1.39 times since 2018. The gearing level (debt-equity) stood at 1.39 times as on March 31, 2020 (Provisional) from 1.38 times as on March 31, 2019. The gearing of the group is expected to remain moderate over the medium term on moderate debt funded capex plans and moderate accretion to reserves. The total debt of Rs. 25.00 crore as on March 31, 2020 (Prov.) consists of long-term debt of Rs.8.44 crore, unsecured loans of Rs.3.60 crores and working capital borrowings of Rs. 12.96 crore. The interest coverage (ICR) ratio stood comfortable at 2.87 times in FY2020 (Prov.) as against 2.77 times in the previous year. Debt to EBITDA stood at 3.16 times in FY2020 (Prov.) as against 3.44 times in FY2019.

• Working capital intensive in nature

Banashankari group operations are moderately working capital intensive marked by Gross Current Assets (GCA) of about 165 days in FY2020 (Prov.) and 174 days in FY2019. The inventory days stood moderate at 58 days for FY2020 (Prov.) and 43 days for FY2019. The debtor's days stood improved at 105 days for FY2020 (Prov.) as against 121 days for FY2019. Group gets credit period of 60-120 days. Group has higher reliance on working capital borrowings, the cash credit limit of group remains utilised at 97.00 percent for the last six months period ended October 2020. Acuite believes that the group will continue to maintain moderate working capital cycle on account of moderate receivable days.

Liquidity Position: Adequate

Banashankari Group has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.2.39 - 4.31 crore over the last three years through FY2020; against which its repayment obligations are Rs.1.09 to 1.50 crore. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.17 times in FY2020 (Prov.) and 0.15 times in FY2019. Group has higher reliance on working capital borrowings, the cash credit limit of group remains utilised at 97.00 percent for the last six months period ended October 2020. The current ratio stood low at 1.16 times as on March 31, 2020(Prov.) as against 1.23 times as on March 31, 2019. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accruals against moderate debt repayments over the medium term.

Rating Sensitivities

- Higher reliance on working capital limits
- Sustaining growth in revenues and margins
- Extensive reliance on debt for capital expenditure

Outlook: Stable

Acuite believes that group will maintain a 'Stable' outlook over the medium term on the back of its experienced promoters. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability, while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	56.38	49.32
PAT	Rs. Cr.	2.08	2.19
PAT Margin	(%)	3.69	4.45
Total Debt/Tangible Net Worth	Times	1.39	1.38
PBDIT/Interest	Times	2.87	2.77

Any other information

Not Applicable

Any Material Covenants

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Oct-2019	Cash Credit	Long Term	2.00	ACUITE BB/Stable (Assigned)
	Proposed Bank Facility	Long Term	8.00	ACUITE BB/Stable (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	3.90	ACUITE BB/Stable (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.07	ACUITE BB/Stable (Reaffirmed)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	0.78	ACUITE BB/Stable (Reaffirmed)
Working capital demand loan (WC DL)	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB/Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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