

Press Release

Bhagwati Recycling Private Limited

November 30, 2021

Rating Upgraded



Product	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	22.00	ACUITE BB- /Stable (Upgraded)	-
Total	22.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BB-**' (read as ACUITE double B minus) from '**ACUITE B+**' (read as ACUITE B Plus) to the Rs.22.0 crore bank facilities of of Bhagwati Recycling Private Limited (BRPL). The outlook is 'Stable'.

The upgrade in rating is on account of completion of expansion in installed capacity and expected increase in revenue of the company going ahead. Further, the rating also takes into account improvement in financial performance of the company and experience of promoters. The rating however continues to remain constrained by moderation in financial risk profile of the company.

About the Company

Bhagwati Recycling Private Limited (BRPL) is engaged in manufacturing of aluminum billets. The company was incorporated in January 2007 as Bhagwati Recycling Services Private Limited by Mr. Arpit Aggarwal and Mr. Ankur Aggarwal in January, 2007 as a private limited company with the objective of providing financial consultancy services and later changed to current nomenclature in 2008.

The company is currently being managed by its promoters i.e. Arpit Aggarwal and Purty Aggarwal. BRPL has its manufacturing facility based at Jhajjar, Haryana. The expected manufacturing capacity is 6000 metric tonne per annum. The commercial operations of the unit are expected to commence from November, 2020.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of Balaji Aluminium Extrusions Private Limited and Bhagwati Recycling Private Limited to arrive at this rating. The consolidation takes into account the business synergies of both the entity.

Extent of consolidation: Full

Key Rating Drivers

Strengths

Experienced management

BRPL has been promoted by Mr. Arpit Aggarwal and Ms. Purty Aggarwal. The promoters are having an industry experience of around 10 years and 4 years respectively through their association with BRPL and a group concern, Balaji Aluminium Extrusions Private Limited (BAEPL).

Moderate financial risk profile

The financial risk profile of the company continues to remain at moderate level with D-E ratio above unity. The D-E ratio remained at 2.22 times as on March 31, 2021 vis-à-vis 1.08 times as on March 31, 2020. The interest coverage ratio improved to 3.71 times during FY21 as against 2.51 times during FY20. The total outstanding liability to tangible net worth declined significantly to 2.67 times as on March 31, 2021 as against 1.39 times as on March 31, 2020.

Acuite believes that the financial risk profile of the firm is expected to remain moderate on account high long term borrowings and moderate profitability.

Offtake of capex

On 15th February 2021 the company started commercial operations for its melting unit wherein the aluminium billets are produced. The company currently has a total production capacity of 900 MT. Further the group company did a capacity expansion and increased its production capacity from existing 150 MT to 600 MT wherein the production commenced from 15th November 2021. The group was earlier clocking monthly revenue of Rs. 4.5 Cr. which after the capex is currently at Rs. 9.00 Cr. per month. The group has already achieved a topline of Rs. 36 Cr. till 31st October 2021

Weaknesses

Elongated working capital days

The company has stretched working capital management with Gross Current Asset (GCA) at a level of 97 days in FY21 as against 121 days in FY20. The debtor days increased to 48 days during FY21 (42 days in FY20). The creditor days remained at 53 days in FY21 as compared to 25 days in FY20.

Liquidity Position- Adequate

The net cash accruals of the company remained at Rs.1.65 crore during FY21 against the debt obligation of Rs.0.48 crore, thereby providing adequate cushion for meeting the debt obligation. The company is further expected to generate NCA of Rs.3.62 –Rs.4.50 crore in FY22-23, led by offtake of capex. The company further had outstanding cash and bank balance of Rs.0.34 crore as on March 31, 2021.

Rating Sensitivities

- Any deterioration in working capital cycle and liquidity profile of the company. Any deterioration in Revenue
- profile and leverage position of the company.
- Any weakening of financial risk profile of the company.

Material covenants

None

Outlook: Stable

Acuite believes that BRPL will maintain 'Stable' outlook over the medium term on back of experienced management. The outlook may be revised to 'Positive' in case the firm registers higher than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm 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 working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	41.14	28.59
PAT	Rs. Cr.	1.11	0.16
PAT Margin	(%)	2.71	0.55
Total Debt/Tangible Net Worth	Times	2.22	1.08
PBDIT/Interest	Times	3.71	2.51

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
August 29, 2020	Term Loan	Long Term	9.50	ACUITE B+/Stable (Assigned)
	Proposed Term-Loan Facility	Long Term	2.50	ACUITE B+/Stable (Assigned)
	Proposed Term-Loan Facility	Long Term	10.00	ACUITE B+/Stable (Assigned)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Initial quantum (Rs. Crore)	Net Quantum (Rs. Crore)	Ratings/Outlook
SIDBI	Term Loan	Not Available	Not Available	Not Available	9.50	14.50	ACUITE BB-/ Stable (Upgraded)
Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	7.50	ACUITE BB-/Stable (Upgraded)

Contacts

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About Acuite Ratings & Research:

Acuite Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,699 credit 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 Mumbai.

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