



**Press Release**  
**BUILDMET FIBRES PRIVATE LIMITED**  
**June 08, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	71.09	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	71.09	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of **Acuite BBB+ (read as Acuite triple B plus)** for the Rs. 71.09 crore bank facilities of Buildmet Fibres Private Limited (BFPL). The outlook is revised from 'stable' to '**negative**'.

**Rationale for reaffirmation and revision in outlook**

The revision in outlook is on account of a deterioration in the operating performance of the company in FY2023. The revenue of the company declined to Rs. 138.06 crore in FY2023E as against Rs. 228.42 crore in FY2022 and Rs. 170.39 crore in FY2021. The decline in revenue is on account of reduced export orders, primarily after the initiation of the Russia-Ukraine war. The total exports made in FY2023 stood at Rs. 132.51 crore as against Rs. 215.98 crore in FY2022 and Rs. 161.86 crore in FY2021. The operating profit margins have been volatile as they are susceptible to crude oil prices. The operating profit margin of the company is estimated to range between 10.15% and 10.80% for FY2023E, as against 8.94% for FY2022 and 11.34% in FY2021. In 10MFY2023, the operating margin stood at 10.17%. The rating reaffirmation factors are a healthy financial risk profile and efficient working capital management. Acuite believes that the company's ability to grow its scale of operations and profitability while maintaining a healthy capital structure remains a key rating indicator.

**About the Company**

Incorporated in 1987, Buildmet Fibres Private Limited (BFPL) is based out of Bangalore and is currently engaged in the manufacturing and exporting of FIBC bags and allied products with a capacity of 1000 metric tonnes per month. The company currently has three manufacturing plants located in Bangalore.

**Analytical Approach**

Acuite has considered the standalone financial and business risk profiles of BFPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Established track record of operations with experienced management**

BFPL is based out of Bangalore and was incorporated in 1987, reflecting an established track record of operations for more than two decades. The company is promoted by Mr.

Ramakrishnan, who is also the chairman and managing director of the company and has 40 years of experience in the said line of business. The day-to-day operations of the company are managed by the promoter along with an experienced senior management team that is ably supported by a strong line of mid-level managers. The extensive experience of the promoters has helped the company establish long and healthy relationships with its customers and suppliers over the years.

Acuité believes that the company will sustain its existing business profile over the medium term on the back of an established track record of operations and experienced management.

### **Healthy financial risk profile**

The financial risk profile of BFPL continues to remain healthy, marked by moderate tangible net worth, a low gearing level, and moderate coverage ratios. The tangible net worth of the company stood at Rs. 57.91 crore as of March 31, 2022, as against Rs. 48.62 crore as of March 31, 2021. The company follows a conservative leverage policy, as reflected in its peak gearing level of 0.66 times as of March 31, 2022, as compared to 0.83 times as of March 31, 2021. The total outstanding debt of Rs. 38.15 crore consists of working capital borrowings of Rs. 18.87 crore and a term loan of Rs. 19.28 crore as of March 31, 2022. The coverage ratios continued to remain moderate, with an improved interest coverage ratio (ICR) of 11.63 times for FY2022 against 9.23 times for FY2021. The Debt Service Coverage Ratio (DSCR) stood at 2.36 times for FY2022 against 2.25 times for FY2021. The ratio of total outside liabilities to tangible net worth (TOL/TNW) stood at 0.86 times as of March 31, 2021.

Acuité believes that the financial risk profile of the company is likely to remain healthy over the medium term in the absence of any debt-funded capex.

### **Efficient working capital management**

The working capital operations are managed efficiently, as marked by a gross current asset (GCA) of 78 days as of March 31, 2022, as against 129 days as of March 31, 2021. The inventory levels stood at 30 days for FY2022 as compared to 57 days for FY2021. The debtor days stood at 37 days for FY2022 against 48 days for FY2021. The creditor days of the company stood at 13 days for FY2022 as against 59 days for FY2021. The efficient working capital management has led to lower utilisation levels of working capital limits, as the average utilisation of the working capital limits of the company remained on the lower side of 17.20 percent in the eleven months ended March 2023.

### **Weaknesses**

#### **Deterioration in the operating performance of the company**

The revenue of the company declined to Rs. 138.06 crore in FY2023 as against Rs. 228.42 crore in FY2022 and Rs. 170.39 crore in FY2021. The decline in revenue is due to the decline in export orders received as the company encountered difficulties in receiving export orders following the Russia-Ukraine war. The operating profit margins have been volatile as they are susceptible to crude oil prices. The operating profit margin of the company is estimated to range between 10.15% and 10.80% for FY2023E, as against 8.94% for FY2022 and 11.34% in FY2021. In 10MFY2023, the operating margin stood at 10.17%.

#### **Susceptibility of margins to raw material price fluctuation and foreign exchange fluctuation risk**

As BFPL is engaged in the manufacturing of FIBC bags, the major raw materials required to manufacture such products are polypropylene granules and low-density polyethylene, which are derivatives of crude oil, and the prices of crude oil are directly affected by various macroeconomic factors. Similarly, the prices of such raw materials are also volatile in nature, and such fluctuations in the major raw material prices may impact the operating profit margin of the company. Furthermore, the company also deals in exports to various countries across the globe, which contribute around 95 percent to the total revenues in FY2023 and FY2022. As a result, the company's business is exposed to fluctuations in foreign exchange rates. However, such risks are mitigated to some extent due to the hedging policies adopted by the company.

## **Rating Sensitivities**

- Improvement in scale of operations and profitability margins while maintaining the capital structure.
- Any stretch in the working capital cycle leading to an increase in reliance on working capital borrowings.

## **Material covenants**

None

## **Liquidity Position**

### **Adequate**

The liquidity position of the company is adequate, as evidenced by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs. 15.82 crore in FY2022, compared against maturing debt obligations of Rs. 5.66 crore. Going ahead, the cash accruals of the company are estimated to remain around Rs. 12.08 to 12.92 crore during the 2023–25 period, while its matured debt obligations are estimated to be in the range of Rs. 6.00 to 6.69 crore during the same period. The average utilisation of the working capital limits of the company remained on the lower side of 17.20 percent in the last eleven months ended March 2023. Furthermore, the company maintains unencumbered cash and bank balances of Rs. 1.43 crore as of March 31, 2022, and the current ratio also stood at 1.62 times as of March 31, 2022.

## **Outlook : Negative**

Acuite believes that BFPL will maintain a 'negative' outlook on account of deterioration in the operating performance of the company. The rating may be downgraded in case of stretch in working capital cycle or deterioration in financial risk profile driven by deteriorating operating performance. The outlook may be revised to 'Stable' in case of sustained improvement in revenues while maintaining profitability at current levels.

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	228.42	170.39
PAT	Rs. Cr.	9.28	7.59
PAT Margin	(%)	4.06	4.45
Total Debt/Tangible Net Worth	Times	0.66	0.83
PBDIT/Interest	Times	11.63	9.23

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

Brickworks vide its press release dated 17.01.2023 had downgraded the company to BWR B/Stable ; Issuer Not Cooperating.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Apr 2022	Working Capital Term Loan	Long Term	10.18	ACUITE BBB+   Stable (Assigned)
	Packing Credit	Long Term	1.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	6.40	ACUITE BBB+   Stable (Assigned)
	Packing Credit	Long Term	27.50	ACUITE BBB+   Stable (Assigned)
	Packing Credit	Long Term	12.50	ACUITE BBB+   Stable (Assigned)
	Packing Credit	Long Term	10.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	3.51	ACUITE BBB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
Axis Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.91	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
Axis Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	10.18	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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