

## Press Release

### BMI Cables Private Limited

April 28, 2022



### Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 20.00 crore bank facilities of BMI Cables Private Limited (BCPL). The outlook is 'Stable'.

#### Rationale for rating assigned

The rating assigned reflects moderate financial risk profile marked by modest net worth and moderate debt protection metric. Also the rating factors in comfort derived by experienced management, established track record of operations and comfortable working capital operations. On the contrary, the rating is constrained on account of competitive & fragmented nature of the industry and susceptible to volatility in the prices of raw materials.

#### About the Company

New Delhi based BMI Cables Private Limited was established in November, 1998 as a private limited company and is currently being managed by Mr. Haresh Chand Goyal and Mr. Kumar Goyal. The company is engaged in manufacturing of copper and aluminum wires; at its manufacturing facility located at RIICO Industrial Area, Bhiwadi, Rajasthan.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

##### >Established track record of operations along with experienced management

BCPL is promoted by Mr. Harsh Chand Goyal and Mr. Kumar Goyal. Mr. Harsh Chand Goyal have an experience of almost four and a half decades in the cable manufacturing industry. Further, Mr. Kumar Goyal has experience of more than one decade in the cable manufacturing industry through his association BMI and other family run business. Acuite believes BCPL will continue to benefit over the medium term from its longstanding association with its key supplier as well as customers

### > Comfortable Working Capital Operations

BMI Cables Private Limited has comfortable working capital requirements as evident from GCA days of 95 days as on 31<sup>st</sup> March 2021 as against 158 days as on 31<sup>st</sup> March 2020. The company generally maintains inventory in the form of raw material for smooth production process and finished goods to meet the immediate demand of its customers resulting in an average inventory holding of 23 days for FY21. The company offers a credit period of around 2-3 months to its customers resulting in an average collection period of 70 days for FY21 which has improved from 108 days in FY20. Further, the current ratio increased from 1.32 times in FY20 to 1.59 times in FY21.

Acuité expects the working capital operations of BCPL to remain efficient on account of level of inventory to be maintained and the credit given to its customers.

### Weaknesses

#### > Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by modest net worth and moderate coverage ratio. The net worth of the company stood modest at Rs. 7.25 Cr as on 31<sup>st</sup> March 2021 which has improved from Rs. 5.54 Cr as on 31<sup>st</sup> March 2020 on account of higher acceleration of profits to reserves. Gearing (debt-equity) stood improved at 3.54 times as on 31<sup>st</sup> March 2021 as against 4.76 times as on 31<sup>st</sup> March 2020. Further, the promoters have supported the business and infused total of Rs. 3.39 Cr of Unsecured loans which has resulted in lower adjusted gearing of 3.07 times as on 31<sup>st</sup> March 2021. Total debt of the company stood at Rs. 25.63 crore as on 31 March, 2021 which comprises of short term debt of Rs. 9.61 Cr, long term debt of Rs. 11.81 Cr, CPLTD of Rs. 0.81 Cr and Rs. 3.39 Cr of unsecured loans from promoters. Interest coverage ratio stood improved at 2.02 times for FY2021 as against 1.86 times for FY2020. Further, debt service coverage ratio stood moderate at 1.76 times in FY2021 as against 1.20 times in FY2020. Debt-EBITDA stood improved at 5.52 times for FY2021 as against 8.45 times for FY2020.

#### > Competitive & fragmented nature of the industry

BCPL operates in a highly competitive industry wherein there is presence of a large number of players in the unorganized and organized sectors. The company is comparative a small players catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margin.

#### > Susceptible to volatility in the prices of raw materials

The main raw material for production of wires is copper rods, prices of which constituted around 89% of the total cost of production for FY21. The company is exposed to the raw material price volatility risk due to the volatility experienced in the prices of the raw material. The prices of the metals are also influenced by the demand-supply scenario. Thus any volatility in prices of these raw-materials can have direct impact on the profitability margins of the company

### Rating Sensitivities

- > Significant decline in the scale of operations.
- > Deterioration in its working capital management.
- > Substantial improvement in profitability levels, thereby improving BCPL's debt coverage indicators.

### Material covenants

None

### Liquidity Position: Adequate

The company has adequate long term liquidity marked by adequate net cash accruals to its maturing debt obligations. The company has generated net cash accruals of Rs.2.43 Crores in

FY21 as against Rs. 0.38 Cr of repayment obligation. Further, the company in the medium term will generate net cash accruals in the range of Rs. 2.78 Cr to Rs. 4.05 Cr as against repayment obligation of around Rs. 1.96 Cr- Rs. 2.45 Cr. The company's working capital operations are comfortable as marked by gross current asset (GCA) days of 95 in FY2021. Hence, the reliance on working capital borrowings was moderate as the average utilization for fund based facility stood at ~78 per cent in the last eight months ending March 2022. Further, the company unencumbered cash and bank balance of Rs.0.23 Crores as on 31<sup>st</sup> March 2021.

### Outlook: Stable

Acuité believes that BCPL will maintain a 'Stable' outlook over the medium term on the back of promoters' extensive experience in the industry and long-standing relationships with its customers. 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.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	120.28	69.26
PAT	Rs. Cr.	1.71	0.04
PAT Margin	(%)	1.42	0.06
Total Debt/Tangible Net Worth	Times	3.54	4.76
PBDIT/Interest	Times	2.02	1.86

### 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 :

Not Applicable

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Standard Chartered Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB   Stable   Assigned

Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB   Stable   Assigned
Standard Chartered Bank	Not Applicable	Term Loan	Not available	Not available	Not available	9.00	ACUITE BB   Stable   Assigned
Kotak Mahindra Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	3.00	ACUITE BB   Stable   Assigned

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### About Acuité Ratings & Research

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