

Press Release

Bedmutha Industries Limited

August 23, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	185.78	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	73.51	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	259.29	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE BBB-** (read as **ACUITE triple B minus**) and short term rating of **ACUITE A3** (read as **ACUITE A three**) to Rs. 259.29 Cr of bank loan facilities of Bedmutha Industries Ltd (BIL). The outlook is 'Stable'.

Rationale for rating assigned

The rating assigned takes into consideration the established market position of the company in the wire ropes industry. The rating draws comfort from BIL's improved operating performance in FY2022 post the implementation of debt restructuring resolution plan in FY2021, moderate working capital operations and adequate liquidity position. The rating further factors in the unconditional support of Rs. 15 crores for debt servicing and working capital requirements offered by Badve Group till FY2024 and 18% shareholding of Badve Group through K-Fx Services Pvt Ltd in BIL. However, these strengths of the company are partially offset by the average financial risk profile, low capacity utilisation and highly fragmented and competitive industry.

About Company

Bedmutha Industries Limited (BIL) is engaged in manufacturing of steel and copper wire products. The company manufactures the following steel and copper products-Galvanized wires, Bead Wire, spring Wire, Wire Rope and Copper products like wire rods, wires, foils and bus-bar. It has its plant located in Nardana, Maharashtra with a capacity to manufacture 86,400 MT of steel wires P.A., and 16,200 MT of Copper wires P.A. The Nardana plant is certified for- ISO 9001- Quality management systems, ISO 45001: Occupational Health and safety, ISO 14001: Environmental management systems.

About the Group

With its registered office in Nashik. Bedmutha Industries Limited (BIL) is engaged in manufacturing of steel and copper wire products since 1990. BIL also has 2 group companies:

1. Kamalasha Infrastructure and Engineering Pvt Ltd

Kamalasha Infrastructure and Engineering Pvt Ltd (KIEPL) is an EPC contractor for power distribution projects. It includes supply of materials, surveys, installation, testing, erection and

commissioning of rural electrification works for the power distribution companies. The company discontinued its EPC business in FY2018. FY2017 was its last full year of operations and in FY2018 the company completed the remaining contracts with it. Between 2019 to 2021 the company discharged all the pending performance guarantees. With effect from September, 2020 BIL divested 100% of its stake in KIEPL and KIEPL ceased to be a subsidiary thereafter.

2. Ashoka Pre-con Pvt Ltd

Ashoka Pre-con Pvt Ltd (APL) is engaged in manufacturing of pre-cast products which are majorly used in power generation and road barriers. APL is an associate company where BIL has 49% shareholding.

The company is promoted by Mr. Vijay Vedmutha, Mr. Ajay Vedmutha, and other family members.

Analytical Approach

Extent of Consolidation

- Proportionate or Moderate Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of Bedmutha Industries Limited (BIL), Kamalasha Infrastructure and Engineering Pvt Ltd (KIEPL) and Ashoka Pre-con Pvt Ltd (APL) on account of common management and operational linkages to arrive at this rating. Extent of consolidation: Partial

Key Rating Drivers

Strengths

Established track record of operations with experienced management

BIL is based out of Maharashtra and was incorporated in the year 1990. The company is promoted by Mr. Vijay Vedmutha, Mr. Ajay Vedmutha and other family members. The operations of the company are managed by the promoters as well as a team of experienced senior management personnel who are further ably supported by a strong line of mid-level managers. The extensive experience of the promoters has helped the company to establish long and healthy relationships with reputed customers and suppliers over the years. The key customers of the company include names such as Sterlite power transmission Ltd, Eximius Infra Tech Solutions LLP, Badve Engineering Limited and Bharat Heavy Electrical Limited.

Acuité believes that the promoter's experience and reputed clientele is expected to support in improvement of its business risk profile over the medium term.

Improvement in operating performance

Bedmutha Industries Ltd (BIL) has recorded a strong performance of 70% Y-o-Y growth in its revenues. Revenues of the company stood at Rs.711.94 Cr in FY2022(Prov.) as against Rs.417.45 Cr in FY2021. Such growth comes at the back of release of working capital limits post the restructuring implementation in January 2021 and improved price realization of the products. This helped the company in higher utilisation of its capacity. Operating income includes subsidy income from Maharashtra Government. BIL is eligible for the availing subsidy under the package incentive scheme. GST is refunded by the Maharashtra government for setting up a plant in the Zone D area. Rs.51.73 Cr and Rs.29.09 Cr of subsidy income is included in the revenue in FY2022 and FY2021 respectively.

EBITDA margins of the company also saw an improvement in FY2022(Prov.) at 9.57% from 2.98% in FY2021. The improvement in margins is majorly due to the increase in scale of operations in FY2022 which helped the company with larger coverage for fixed costs. The company has recorded profit after tax of Rs.9.38 Cr. in FY2022(Prov.) as against 196.01 Cr in FY2021. The reason for high PAT in FY2021 is because of reversal of excess interests charged of Rs.121.33 Cr and fair value gain of Rs.159.72 Cr on recognition of compulsorily redeemable preference shares.

Acuité believes that the business risk profile of the company will continue to improve with the diversified product portfolio and healthy demand expected in the industry.

Moderate working capital management

Working capital operations of the company remain moderate with GCA days at 137 days in FY2022 (Prov.) as against 199 days in FY2021. GCA days are driven by subsidies receivable from government of Maharashtra under the package incentive scheme. Under the package incentive scheme the company gets a GST refund from the Maharashtra government for setting up a plant in the Zone D area. The company can avail such subsidy till 2024. Subsidy receivable stood at Rs.117.18 Cr in FY2022 as against Rs.93.46 Cr in FY2021. The working capital cycle however improved from 35 days in FY2021 to 10 days in FY2022 (Prov.) Debtor days stood at 34 days in FY2022 (Prov.) as against 61 days in FY2021 which is in line with the credit period allowed of 30 to 60 days to its customers. Inventory holding period stood at 37 days in FY2022 (Prov.) as against 36 days in FY2021. Raw materials of the company include copper scrap, copper cathode, steel wire rod, etc. BIL procures raw materials by opening LC's with a duration of 90 days. Creditor days stood at 61 days for BIL for FY 2021 and FY 2022. Acuite believes that the working capital operations of the company will remain moderate in the medium term and will continue to remain a key rating sensitivity

Weaknesses

Average financial risk profile

BIL's financial risk profile is moderate marked by a modest tangible network, high gearing and comfortable debt protection metrics.

Tangible network of the company stood at Rs.86.51 Cr as on 31st March 2022 (Prov.) as against 77.13 Cr as on 31st March, 2021. However, the positive network seen from FY2021 was on account of reversal of interest cost and fair valuation of CRPS in FY2021 totalling to ~Rs.280 Cr. The company has followed an aggressive financial policy marked by the peak gearing levels at 3.97 times as on 31st March 2021. The current gearing has however remained moderate at 3.19 times as on 31st March 2022 (Prov.). Acuite expects the gearing levels to remain in the range of 2.48-1.83 in the near to medium term. TOL/TNW of the company remains at 4.67 times as on 31st March 2022 (Prov.) as against 5.04 times as in 31st March 2021. NCA to total debt of the company stood at 0.15 times in FY2022.

Debt protection metrics of the company remained comfortable with DSCR at 1.04 times in FY2022 (Prov.) as against 2.76 times in FY2021. Interest coverage ratio stood at 2.31 times in FY2022 (Prov.) as against 4.77 times in FY2021. Adjusted ICR excluding the non-cash fair valuation of CRPS and reversal of interest cost stood at 3.22 times in FY2022 (Prov.) as against 0.25 times in FY2021. Accordingly, adjusted DSCR stood at 1.19 times in FY2022 (Prov.) as against 0.13 times in FY2021. Acuite believes that the debt coverage indicators are likely to remain comfortable on account of improvement in the scale of operations in the near to medium term.

Acuité believes that the financial risk profile of the company is likely to remain moderate over the medium term on account of healthy growth in scale of operations with moderate profitability and no major debt funded capex plan.

Low albeit improving capacity utilisation

BIL has two divisions- Steel and Copper. The steel plants have a capacity of 86,400 MT p.a. and the copper plant has a capacity of 16,200 MT p.a. Capacity utilisation at the steel wire division improved from 39% in FY2020 to 45% in FY2022 and copper wire division saw an improvement from 22.30% in FY2020 to 33.90% in FY2022. While the capacity utilisation was low on account of inadequate working capital limits they are likely to improve in the near term on account of release of working capital limits.

Acuite believes that further improvement in capacity utilisation is dependent on the availability of working capital and will remain a key rating sensitivity.

Susceptible to fluctuations in raw material prices along with highly fragmented and competitive industry

BIL's operations are exposed to inherent risks associated with availability of raw materials, fluctuations in prices, and changes in government regulations. The company is engaged in

the business of manufacturing of all types of steel and copper wire ropes, which find its application in automobile, infrastructure, farming, power transmission and material handling. The prices of these raw materials are volatile in nature; hence, the profitability is susceptible to the ability of the company to pass on the same to its customers. The industry is marked by presence of large number of organized and unorganized players in the industry. The high competitive industry further limits the pricing flexibility and exerts pressures on the margins of all participants

Rating Sensitivities

Sustainability in revenue growth and margins
 Elongation of working capital cycle
 Change in capital structure

Material Covenants

None

Liquidity: Adequate

Liquidity of the company is adequate with sufficient net cash accruals as against maturing debt obligations. Net cash accruals of the company stood at Rs.42.39 Cr as against maturing debt obligations of Rs.39.47 Cr. The company is likely to generate sufficient net cash accruals in the range of Rs.116.29-98.61 Cr, as against maturing debt obligation of Rs. 38.59- 15.53 Cr in the medium term. Average bank limit utilisation remained high at 89% for 6 month ended May 2022. The company maintained unencumbered cash balance of Rs. 1.03 Cr in FY2022 as against 8.79 Cr in FY2021. Further, Badwe group and associates which holds 18.31% shareholding in BIL through K-Fx Services Pvt. Ltd. has agreed to infuse Rs.15 Cr. in the company for any shortfall in debt servicing or working capital purpose till 31st March, 2024. Acuite believes that the liquidity of the company will continue to remain adequate over the medium term on account of moderate cash accruals with moderate repayments over the medium term.

Outlook: Stable

Acuite believes that BIL will maintain a stable "outlook" in the medium term and will continue to benefit over the medium term due to its experience management and healthy demand of its products in the market. The outlook may be revised to "Positive", if the company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels leading to higher net cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile or higher than expected working capital borrowings.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	711.94	417.45
PAT	Rs. Cr.	9.38	196.01
PAT Margin	(%)	1.32	46.95
Total Debt/Tangible Net Worth	Times	3.19	3.97
PBDIT/Interest	Times	2.31	4.77

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- 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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3 Assigned
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	15.80	ACUITE A3 Assigned
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	6.65	ACUITE A3 Assigned
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	15.80	ACUITE A3 Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.33	ACUITE BBB- Stable Assigned
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.11	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.34	ACUITE BBB- Stable Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.09	ACUITE BBB- Stable Assigned
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.56	ACUITE A3 Assigned
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.70	ACUITE A3 Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	29.59	ACUITE BBB- Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	21.25	ACUITE BBB- Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	1.99	ACUITE BBB- Stable Assigned

Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	28.46	ACUITE BBB- Stable Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.65	ACUITE BBB- Stable Assigned
Exim Bank	Not Applicable	Term Loan	Not available	Not available	Not available	10.23	ACUITE BBB- Stable Assigned
Exim Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.86	ACUITE BBB- Stable Assigned
Union Bank	Not		Not	Not	Not		ACUITE BBB-

of India	Applicable	Term Loan	available	available	available	15.90	Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	2.19	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	2.84	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.95	ACUITE BBB- Stable Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)**

1. Kamalasha Infrastructure and Engineering Pvt
2. Ashoka Pre-con Pvt Ltd

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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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