



Press Release
BAPL ROTOTECH PRIVATE LIMITED
October 25, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	75.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	25.00	-	ACUITE A2+ Assigned
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 100.00 Cr bank facilities of BAPL Rototech Private Limited (BRPL). The outlook is '**Stable**'.

The ratings for BRPL factor in its stable market position in the auto component segment and its strong foothold in the commercial vehicle segment, supported by new strong parentage, healthy financial risk profile and adequate liquidity profile. Acuite believes that BRPL, aided by its comprehensive product portfolio, backed by strong joint venture (JV) partner and parent company, remains well positioned to benefit from a likely uptick in demand in the domestic CV industry, going forward. The financial risk profile have remained comfortable with strong debt coverage indicators on the back of consistent increase in the networth and higher cash accruals. The rating also derives comfort from the adequate liquidity position of the company marked by surplus cash accruals and unencumbered cash and cash equivalents. The rating also factors in reputed client profile of the company supported by increasing demand in the industry providing revenue visibility over the medium term. These strengths are however, partly offset by the working capital intensity in the operations, susceptibility to volatility in raw material prices and high client concentration. Acuite notes that the company's revenues and earnings being susceptible to the inherent cyclical nature of the domestic CV industry, with earnings and return indicators moderating during periods of downturns and improving thereafter as the industry volumes revive. Overall, Acuite expects BRPL to mirror the recovery trend in the industry, and report healthy growth in the current fiscal.

About the Company

Incorporated on August 20, 2015, BAPL Rototech Private Limited (BRPL) is a Joint Venture between Welspun BAPL Private Limited (erstwhile Plastauto Private Limited) and Rototech SRL, Italy. The company specializes in design, development, production, and supply of automotive fuel tank and AdBlue tank. The company is a leading manufacturer of plastic fuel tanks, diesel exhaust fluid (DEF), urea tanks, adblue tanks and CV exterior parts fender, mud guards, snorkels etc. using roto moulding and blow moulding technology, catering the needs of the automotive industry in commercial vehicle (CV) segment in India. The company possess an extensive pan-India manufacturing footprint with 3 strategically located unit across the country at Pithampur, Jamshedpur and Pune respectively.

Standalone (Unsupported) Rating

Not Applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of BRPL to arrive

at the rating. While arriving at the rating of BRPL, Acuité has taken into account a strong level of support from the Welspun group given that Welspun BAPL Private Limited (WBPL) has 70 per cent stake in BRPL.

Key Rating Drivers

Strengths

Strong new parentage

Welspun Group took over the management control of BRPL by acquiring 70 per cent stake in March 2023 and the balance is held by the Rototech Group, Italy. Upon acquisition of Sintex BAPL by the Welspun Group on 29th March 2023 from NCLT and demerger of automotive business of Sintex BAPL, the sponsor Welspun BAPL Private Limited (erstwhile Plastauto Private Limited) became the new JV partner with Rototech Group, Italy, holding 70 per cent stake at BAPL Rototech Private Limited (BRPL), w.e.f 29th of March 2023. BRPL is likely to benefit from strong reputation and financial flexibility of the Welspun Group, besides the extensive experience of its management team. Acuité also expects the group to extend need-based support to BRPL going forward.

Strong business risk profile

The company reported healthy growth in revenues to Rs. 257.12 Cr in FY23, compared to Rs.160.41 Cr in FY22, followed by a rapid recovery auto components business after the pandemic shock and the government's planned increase in infrastructure spending which helped sustain an improvement in fleet utilisation, thereby registering a y-o-y growth of 60.28 per cent in FY23. This was further followed by a sharp improvement in both operating profit and PAT margins owing to economies of scale, increase in average selling price and cooling down of key RM prices like steel during the H2FY23, as BRPL maintained healthy EBITDA at Rs.32.48 crore in FY2023 vis-à-vis Rs. 18.15 crore in FY2022. The operating margin improved to 12.63 per cent in FY23, as compared to 11.32 per cent. The PAT margin also improved to 7.07 per cent in FY23 as compared to 5.33 per cent in FY22. The ROCE levels stood at a comfortable level of about 31.75 per cent in FY2023 as against 22.73 per cent in FY2022, benefitting from the healthy profitability and asset-light nature of the business. Acuité expects the company to report a steady revenue growth in FY2024, supporting the revival of the replacement cycle in line with the BS4 norms, notwithstanding pressure from high inflation and a rise in borrowing rates. High fuel rates will also spur replacement of older CVs with new, more energy-efficient vehicles. Further synergies arising from operational integration with Welspun group post the stake acquisition, coupled with industry recovery, is likely to aid revenue growth over the medium term.

Healthy financial risk profile

The company's healthy financial risk profile is marked by healthy networth base, moderate gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.46.87 Cr as on March 31, 2023 from Rs.28.37 Cr as on March 31, 2022 due to accretion of reserves. The gearing improved to 1.14 times as on March 31, 2023 from 1.41 times as on March 31, 2022 even though the company's total debt increased which mainly comprised of the lease liability. The lease obligation increased to Rs 15.70 Cr in FY23 from Rs. 7.42 Cr in the previous year with simultaneous increase in right to use assets. BRPL has strategically shifted towards asset-light model with majority of the incremental properties being added through the operating lease to limit capex/investments and project implementation risk for the company. The company's capex plans over the medium term are primarily towards renovation and maintenance programs and are likely to be met through internal accruals. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.61 times as on March 31, 2023 as against 2.57 times as on March 31, 2022. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 14.75 times and Debt Service Coverage Ratio at 7.48 times as on March 31, 2023. The surge in earnings in FY2023 and high accruals along with limited repayment obligation led to further improvement

in the credit metrics. Net Cash Accruals/Total Debt (NCA/TD) improved to 0.46 times as on March 31, 2023. Acuité believes in the absence of incremental borrowings, the company's capital structure and coverage metrics are likely to remain comfortable going forward as well.

Weaknesses

Working capital intensive nature of operation

The working capital management of the company has improved in FY23, albeit marked by high Gross Current Assets (GCA) of 146 days in 31st March 2023 as compared to 148 days on 31st March 2022. The inventory holding stood moderate at 60 days in FY23 as compared to 59 days in FY22, as the company maintains adequate inventory to timely cater to customer orders and address any logistics issues. Further, the debtor days also stood moderate at 72 days as on March 31, 2023, as the company offers ~60 days of credit period to key customers like Tata Motors, Cummins and Vovlo who contribute ~87 per cent of the total revenue. Acuité believes that the working capital operations of the company will remain almost at the same levels as evident from the collection mechanism and moderate inventory holding mechanism over the medium term.

Profitability susceptible to macro-economic factors, industry cyclicalities and raw material prices

The automobile industry is subjected to macro-economic headwinds emanating from inflationary pressure and economic slowdown. Economic downturns impact consumer spending on discretionary items, and hence slowdown in economic activity can impact industry sales and thus impact the company. Raw materials and components prices constituting more than 70 per cent of revenues are directly influenced by international commodity prices. However, Acuité believes the risk is mitigated to some extent as the increase in raw material prices are passed on to end customers, although with a lag.

Rating Sensitivities

- Any material decline in market share due to increased competition and entry of new players

All Covenants

None

Liquidity Position: Adequate

BRPL's adequate liquidity is supported by healthy retained cash flows and cash & cash equivalents. The company's repayment obligation of Rs. 1.33 Cr in FY22 will be comfortably serviced from the sufficient net cash accruals which stood at Rs.24.45 Cr as on March 31, 2023. BRPL has cash and cash equivalents of over ~Rs 30 Cr. Current ratio stood moderate at 1.17 times as on 31st March 2023. Acuité believes the company has sufficient accruals and cash & cash equivalents to finance its incremental working capital needs over the medium term. Further, the Welspun group will continue to provide strong financial flexibility and needbased financial support.

Outlook: Stable

Acuité believes that BRPL will continue to benefit over the medium term due to its experienced management, strong parentage and operational support from Welspun group. The outlook may be revised to 'Positive', in case of higher- than-expected revenues and profitability, while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	257.12	160.41
PAT	Rs. Cr.	18.17	8.55
PAT Margin	(%)	7.07	5.33
Total Debt/Tangible Net Worth	Times	1.14	1.41
PBDIT/Interest	Times	14.75	12.45

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

Not Applicable

Any other information

Not Applicable

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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE A- Stable Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A- Stable Assigned
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A2+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A- Stable Assigned

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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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