

**Press Release**

**BFG International Private Limited**

**December 30, 2019**

**Ratings**

| <b>Sl. No.</b> | <b>Instrument/Facility</b>            | <b>Amount (INR Crore)</b> | <b>Rating Assigned</b>   |
|----------------|---------------------------------------|---------------------------|--|
| 1              | Long Term (Fund based)                | 17.44*                    | IVR BB/ Stable Outlook;<br>(IVR Double B with Stable Outlook )                         |
| 2              | Short Term (Non-Fund based)           | 1.25                      | IVR A4<br>(IVR A Four)   |
| 3              | Long Term/Short Term (Non-Fund based) | 0.65                      | IVR BB/ Stable Outlook;<br>(IVR Double B with Stable Outlook )/ IVR A4<br>(IVR A Four) |
| <b>Total</b>   |                                       | <b>19.34</b>              |  |

*\*Includes proposed cash credit of 5.00 Crore*

**Details of facilities are in Annexure 1**

**Rating Rationale**

The rating derives strength from the experienced promoters in the industry, proven project execution capability, reputed clientele, Reversal of negative EBITDA trend and comfortable capital structure with healthy debt protection metrics. The rating however is constrained by Medium Scale of revenue with volatility; Moderate order book, Elevated Gross working capital cycle leading to tight liquidity, Client Concentration, Exposure to fluctuation in the prices of raw material and the uncertainty involved with the number of project

**Key Rating Sensitivities:**

- **Upward Rating Factor-** Procurement of new orders providing medium to long term revenue visibility leading to substantial and sustained improvement in the revenue while maintaining the debt protection metrics.
- **Downward Rating Factor-** Any decline in the revenue & profitability and/or elongation of working capital cycle leading to deterioration of the debt protection metrics.

**Detailed Description of Key Rating Drivers**

**Key Rating Strengths**

*Experienced Promoters in the Industry*

Incorporated in 2008, BFG International Private Limited (BFG) is a leading Indian Manufacturer of Fibre Reinforced Plastic. Dr. Samer Majed Jawad Majed Aljishi who is a promoter of BFG International WLL has 30 years of experience in FRP business and another director Mr. Premamoorthy of BFG International Private Ltd India got 35 years of experience in FRP and working in various capacities in BFG International WLL, Bahrain, France, Philippines, and India. Also, BFG International WLL the parent company has a presence of more than four decades in the industry has enabled the company to develop a strong clientele & product acceptability.

- ***Proven project execution capability***

Over the past years, the entity has successfully completed many projects majorly in India railway and Indian metros. The repeat orders received from its clientele validate its execution capabilities. The company is an approved vendor with Research Design and Standards Organisation

- ***Reputed clientele***

Company has built up a strong clientele over the years, which is constantly expanding. Some of the reputed clients served by the company are Integrated Coach Factory (ICF), Modern Coach Factory (MCF), Alstom and Gamesha. With such strong clientele company expects constant flow of orders and to maintain its steady growth.

- ***Reversal of negative EBITDA trend***

In FY19, EBITDA has become positive for BFG after remaining negative in last two years. This improvement is mainly on account of increase in scale of operation with fixed overhead remaining same in FY19. Also, customized moulds & consumables purchased by company amounting to Rs. 13.23Cr in FY18 and Rs. 7.98 Cr in FY17 against Rs. 3.80 Crore in FY19 has been expensed out in same year which lead to negative EBITDA in last few years

- ***Comfortable capital structure with healthy debt protection metrics***

BFG's capital structure was comfortable with overall gearing ratio was around 1.43x in FY19. Total debt/GCA, interest coverage & DSCR also remained comfortable at 3.39x, 2.56x and 1.82x in FY19.

### **Key Rating Weakness**

***Medium Scale of revenue with volatility; Moderate order book***

BFG revenue remains quite volatile in the past four years ended FY19. The volatility was attributed mainly to volatile orders flows. However, even with the volatility revenue grew at a CAGR of 18.43% in the last four years ended FY19. The company has unexecuted order book of around Rs.108 crore as on December Mid, 2019. The orders are expected to be completed by FY21, indicating a satisfactory near to medium term revenue visibility. The management also contends that there are some high value orders which are in various stage of negotiation and are expected to materialize in the next 6-12 months.

### ***Elevated Gross working capital cycle leading to tight liquidity***

Gross working capital which comprises of average collection days and average inventory days has increased in FY19 to 238 days compare to 168days in FY18 and 106 days in FY18.

### ***Client Concentration***

BFG is exposed to high client concentration risk as its top 5 clients account for around 98% of sales and out of 98% one client Integrated Coach Factory (ICF) accounts for 49% of revenue in FY19.

### ***Exposure to fluctuation in the prices of raw material***

Glass fibre and polyester resin are two major raw materials used by BFG in their FRP-based product business. The cost of which constitutes around 59.0% of the total manufacturing cost in FY19. BFG imports Glass fibre from Bahrain and other countries and another raw material resins are crude derivatives. Given that one of the key raw material resins are crude derivatives, the business of company remain vulnerable to the price of crude and any major fluctuations in foreign exchange rates.

### ***The uncertainty involved with the number of projects***

Most of the company's revenue comes from government projects that are awarded through closed bidding processes. There is always an improbability to the number of Projects that could come up in any financial year.

## Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector)

## Liquidity

The liquidity position of the company is stretched with current and quick ratio less than unity as on March 31, 2019. The average utilization of working capital bank by BFG limit during the last 12 months ended October 31, 2019, stood high at about 98.8%

## About the company

BFG India is a 100% subsidiary of BFG International WLL- a global player in the composites industry. It's a Major Player in the Indian Composites Industry. It is Located in a Special Economic Zone of Chennai. It is in Close Proximity (60 kms) from International Sea Port with well-developed road infrastructure

## Financials (Standalone)

(Rs. Crore)

| For the year ended / As on | 31-Mar-18 (A) | 31-Mar-19 (A) |
|----------------------------|---------------|---------------|
| Total Operating Income     | 40.76         | 61.65         |
| EBITDA                     | -0.93         | 6.26          |
| PAT                        | -3.86         | 2.44          |
| Total Debt                 | 13.48         | 13.10         |
| Tangible Net worth         | 6.03          | 9.17          |
| EBIDTA Margin (%)          | -2.29         | 10.15         |
| PAT Margin (%)             | -9.47         | 3.96          |
| Overall Gearing ratio (x)  | 2.23          | 1.43          |

\* Classification as per Infomerics' standards

**Details of Non-Cooperation with any other CRA:** ICRA in its press release published on July 15, 2019 has classified the case under Issuer Not Cooperating status.

**Any other information:** N.A

## Rating History for last three years:

| Name of | Current Rating (Year 2019-20) | Rating History for the past 3 years |
|---------|-------------------------------|-------------------------------------|
|---------|-------------------------------|-------------------------------------|

| <b>Instrument/<br/>Facilities</b> | <b>Type</b>                        | <b>Amount<br/>outstanding<br/>30.03.2019<br/>(Rs. crore)</b> | <b>Rating</b>                          | <b>Rating<br/>assigned<br/>in 18-19</b> | <b>Rating<br/>assigned in<br/>17-18</b> | <b>Rating<br/>assigned<br/>in 16-17</b> |
|-----------------------------------|------------------------------------|--|--|---|---|---|
| Fund Based<br>Facilities          | Term loan                          | 0.44   | IVR<br>BB/Stable<br>Outlook            | --                                      | --                                      | --                                      |
| Fund Based<br>Facilities          | Cash<br>Credit<br>(CC)             | 12.00  | IVR<br>BB/Stable<br>Outlook            | --                                      | --                                      | --                                      |
| Fund Based<br>Facilities          | Proposed<br>Cash<br>Credit<br>(CC) | 5.00   | IVR<br>BB/Stable<br>Outlook            | --                                      | --                                      | --                                      |
| Non-Fund<br>Facilities            | Letter of<br>Credit                | 1.25   | IVR A4                                 | --                                      | --                                      | --                                      |
| Non-Fund<br>Facilities            | Bank<br>Guarantee                  | 0.65   | IVR<br>BB/Stable<br>Outlook<br>/IVR A4 |   |   |   |
|                                   | <b>Total</b>                       | <b>19.34</b>   |  |   |   |   |

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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**Annexure 1: Details of Facilities**

| Sr. no       | Name of Facility                | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. crores) | Rating Assigned/ Outlook      |
|--------------|---------------------------------|------------------|------------------|---------------|-------------------------------|-------------------------------|
| 1            | Fund Based Term Loan            | --               | --               | Sep-21        | 0.44                          | IVR BB/Stable Outlook         |
| 2            | Fund Based Cash Credit          | --               | --               | --            | 12.00                         | IVR BB/Stable Outlook         |
| 2            | Fund Based Proposed Cash Credit | --               | --               | --            | 5.00                          | IVR BB/Stable Outlook         |
| 3            | Non-Fund Based Letter of Credit | --               | --               | --            | 1.25                          | IVR A4                        |
| 4            | Non-Fund Based Bank Guarantee   | --               | --               | --            | 0.65                          | IVR BB/Stable Outlook /IVR A4 |
| <b>Total</b> |                                 |                  |                  |               | <b>19.34</b>                  |                               |