



Press Release

Black Diamond Motors Private Limited

June 8, 2022

Rating

Instrument Facility /	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities - Cash Credit (includes proposed cash credit of Rs. 0.25 crore)	24.00	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	Assigned	Simple
Total	24.00 (INR Twenty four crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Black Diamond Motors Private Limited (BDMPL) derives strength from long experience of its promoters, improvement in top line and profitability in FY22(Provisional), comfortable financial risk profile marked by comfortable capital structure with satisfactory debt protection metrics and prudent working capital management. However, these rating strengths are constrained on account of profitability remains susceptible to price volatility, exposure to cyclicity inherent in automobile industry and exposure to intense competition in automotive component industry which exert pressure on profit margins.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in revenue with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure, overall gearing, and debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators.
- Elongation in the operating cycle and fluctuation in raw material prices impacting the liquidity position of the company.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The promoters have long standing experience in the manufacturing business and have favourable relations with suppliers and customers. Extensive business experience of the promoters supports the business risk profile of the company to a large extent

- **Improvement in top line and profitability**

After witnessing a ~21% decline in revenues in FY21 due to the impact of Covid-19, top line grew ~188% year on year to ~Rs. 179 crore in FY22 (Prov.) backed by the restart of operations on regular basis which led to an increase in revenue. Consequently, the profitability of the company has grown significantly. EBITDA and PAT margin were 6.79% and 3.71%, respectively in FY22 (Prov), compared with EBITDA and PAT margin of 4.67% and 0.06% in FY21. Infomerics believes that a sustained increase in topline will be the key rating factor going ahead.

- **Comfortable financial risk profile marked by comfortable capital structure and satisfactory debt protection metrics**

The financial risk profile of the company is comfortable marked by satisfactory adjusted tangible net worth base of Rs. 42.96 crore as on March 31, 2022(Prov.) as against Rs. 29.84 crore as on March 31, 2021. The overall gearing stood also improved to 0.04x as on March 31, 2022 (Prov.) from 0.67x as on March 31, 2021. Total indebtedness as reflected by TOL/TNW was 0.48x as on March 31, 2022 (Prov.) compared with 1.09x as on March 31, 2021. The debt protection metrics is above average marked by DSCR of 4.32x in FY2022(Prov.) as against 1.44x in FY21. Interest coverage ratio was 6x in FY22 (Prov.) compared with 1.86x in FY21.

- **Prudent working capital management**

The firm's working capital intensity decreased to 0.13 times in FY22 (Prov) from 0.46 times in FY21. This was due to decrease in inventory days and average collection period. Further gross current asset days decreased to ~85 days in FY22 (Prov) from 242 days in



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FY21 because of low average collection period of 14 days in FY22 (Prov). Working capital cycle moderated to around 59 days during FY2022 (Prov.) from 141 days in FY21

Key Rating Weaknesses

- **Profitability remains susceptible to price volatility of raw materials**

Steel is the major raw material for the company. Steel prices are highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors. Thus, the company's cash flows and profits are susceptible to fluctuation in raw material prices.

- **Exposure to cyclicity inherent in auto industry**

The company's business is susceptible to inherent cyclicity as the automotive industry, linked to the performance of the economy

- **Intense competition in automotive component industry which exert pressure on margins**

Intense competition due to the presence of other automotive component manufacturers, which exerts pricing pressures, is likely to weigh on the company's operating margins. With increasing presence of domestic as well as international players in the automotive ancillary business, the competition had increased over the years. Nonetheless, BDMPL's strong relationship with its clients mitigates the risk to a certain extent.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain satisfactory due to the adequate cushion in expected cash accruals as against its repayment obligations during FY23-25(Projected). Further, the average bank working capital limit utilization remain moderate at around ~75% over the 12 months ended March 2022 indicating satisfactory liquidity buffer.



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About the Company

Black Diamond Motors Private Limited was incorporated on 21st September 2005. It is involved in manufacturing of tip trailers. The are also producer of products such as tippers, rocky body, box trailers, semi low bed trailers, flat bed trailers, skeletal trailers, and all kind of customised trailers for various applications. Its manufacturing unit is located in Bilaspur, Chhattisgarh with annual production capacity of 1650 units

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-March-21	31-March-22
	(Audited)	(Provisional)
Total Operating Income	62.24	179.24
EBITDA	2.91	12.16
PAT	0.04	6.65
Total Debt	19.95	1.70
Tangible Net worth	29.84	42.96
EBIDTA Margin	4.67	6.79
PAT Margin	0.06	3.71
Overall Gearing ratio (x)	0.67	0.04

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	23.75	IVR BBB-/ Stable	-	-	-
2.	Proposed Cash Credit	Long Term	0.25	IVR BBB-/ Stable	-	-	-

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust, and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	23.75	IVR BBB-/ Stable
Proposed Cash Credit	-	-	-	0.25	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.



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Annexure 3: <https://www.infomerics.com/admin/prfiles/Lender-08-06-22-BDMPL.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.

