



Press Release

Bentec India Limited

August 07, 2024

Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan/GECL	1.68* (Reduced from Rs.2.49 crore)	IVR BBB+; Stable (IVR Triple B plus with Stable outlook)	IVR BBB; Stable (IVR Triple B with Stable outlook)	Upgraded	Simple
Long Term Bank Facilities – Cash Credit	23.00	IVR BBB+; Stable (IVR Triple B plus with Stable outlook)	IVR BBB; Stable (IVR Triple B with Stable outlook)	Upgraded	Simple
Long Term Bank Facilities – Cash Credit	25.00	IVR BBB+; Stable (IVR Triple B plus with Stable outlook)	-	Assigned	Simple
Long Term Bank Facilities – Bank Guarantee	23.00	IVR BBB+; Stable (IVR Triple B plus with Stable outlook)	IVR BBB; Stable (IVR Triple B with Stable outlook)	Upgraded	Simple
Short Term Bank Facilities – Letter of Credit	14.00	IVR A2 (IVR A Two)	IVR A3+ (IVR A Three Plus)	Upgraded	Simple
Short Term Bank Facilities – Bank Guarantee	50.00	IVR A2 (IVR A Two)	IVR A3+ (IVR A Three Plus)	Upgraded	Simple
Short Term Bank Facilities – Bank Guarantee	25.00	IVR A2 (IVR A Two)	-	Assigned	Simple
Total	161.68 (Rupees One hundred and sixty-one crore and sixty-eight lakhs only)				

*Outstanding as on March 31, 2024.

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The upgrade in the ratings assigned to the bank facilities of Bentec India Limited (BIL) is on account of improvement in business performance of the company in FY2024 (Provisional) [FY



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refers to the period from April 1 to March 31] and subsequently in Q1FY25 marked by rise in total operating income and profit levels in view of favourable demand for smart meters. Further, the ratings also continue to derive comfort from the experienced promoters and continuous need based financial support from them, reputed clientele base with diversified product profile & established sales network and satisfactory capital structure with comfortable debt coverage indicators of the company. The rating also positively notes the healthy order book position indicating healthy near to medium term revenue visibility. However, these rating strengths continue to remain partially offset by susceptibility of profitability to volatility in raw material prices, exposure to foreign currency fluctuation risk and working capital intensive nature of operations.

The stable outlook reflects expected stable business performance of the company in the near term marked by healthy demand of smart meters and extensive industry experience of the promoters.

Key Rating Sensitivities:

Upward Factors:

- Growth in scale of operation with improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis.
- Sustenance of the capital structure with improvement in debt coverage indicators
- Improvement in the working capital cycle leading to improvement in liquidity position of the company

Downward Factors:

- Dip in operating income and/or profitability impacting the debt coverage indicators with moderation in the interest coverage ratio to below 2x.
- Withdrawal of subordinated unsecured loans of Rs.42.17 crore and/or any unplanned capex impacting the capital structure of the company with moderation in overall gearing to over 1.5x
- Deterioration in working capital cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The promoters of the company have an experience of over two decades in the electrical equipment manufacturing business which has enabled them to establish healthy relationships



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with its suppliers and clientele. Mr. Anup Bhartia (Managing Director) is at the helm of affairs of the company and looks after the overall operations of the company. He is well supported by the other directors and a team of experienced and qualified professional in managing the day-to-day affairs of the company.

- **Reputed clientele**

The company has a diversified and established customer base comprising of major State Electricity Boards and transmission companies, Housing Development Boards and PWD (Public Works Department) of various state Governments. Reputed customer base reduces counter party payment risk to a certain extent.

- **Diversified product profile and established sales network**

BIL has six manufacturing facilities across Howrah & Kolkata (West Bengal), Faridabad (Haryana) and Baddi (Himachal Pradesh) and manufactures wide variety of electrical products like- electronic energy meters, switch gears, fuse, MCCB, motor starters, wires and cables, LED lights etc. which reduces dependency of single product segment. Besides, BIL has Pan India presence through its established network of branch offices in most of the major States which enables it to generate geographically diversified revenue.

- **Improvement in business performance in FY2024 and in Q1FY2025**

Total operating income (TOI) increased at a CAGR of ~44% during FY2022-FY2024 with a y-o-y growth of ~46% from Rs. 293.36 crore in FY2023 to Rs.427.35 crore in FY2024 (Prov.) driven by significant increase in execution of the orders by the company owing to improvement in demand for smart meters consequent to higher focus of the government to improve the power distribution system under Revamped Distribution Sector Scheme (RDSS). Moreover, the commencement of operations of new unit at Faridabad for manufacturing of smart meters from November 2023 onwards added to the increase in top line in FY2024. With increase in topline, EBITDA increased from Rs. 21.71 crore in FY2023 to Rs.34.73 crore in FY2024 resulting in increase in EBITDA margin from 7.40% in FY2023 to 8.13% in FY2024 (Prov.). The increase in operating margin is on account of execution of relatively higher margin orders coupled with increase in production resulting in economies of scale. Consequently, PAT margin also increased from 3.75% in FY2023 to 5.09% in FY2024 (Prov.). Gross cash accruals (GCA) improved from Rs.12.51 crore in FY2023 to Rs.23.45 crore in FY2024 (Prov.). Further, during Q1FY2025, BIL achieved a PAT of Rs.6.75 crore on a TOI of Rs.131.06 crore as against a PAT of Rs.5.45 crore on a TOI of Rs.106.84 crore during Q1FY2024 in view of



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favourable demand for the products manufactured by the company. The company's ability to sustain the growth in its scale of operations while maintaining its profit margins will be a key rating monitorable going forward.

- **Healthy order book position reflecting healthy near to medium term revenue visibility**

BIL had a total unexecuted order book position of Rs.771.01 crore as July 31, 2024, i.e., 1.80 times of its FY2024 revenue of Rs.427.35 crore (Prov.). The order book consists of orders for supply of meters as well as O&M (Operation and Maintenance) orders. While the orders for supply of smart meters will be executed in the next one year, the O&M orders have a tenure of 5-10 years once the meter installation is complete. Healthy order book position of the company reflects healthy near to medium term revenue visibility, however timely execution of the same will remain a key rating monitorable.

- **Comfortable capital structure with satisfactory debt coverage indicators**

The capital structure of the company remained comfortable over the past three account closing dates. The overall gearing ratio remained comfortable and improved from 0.32x as on March 31, 2023, to 0.24x as on March 31, 2024 (Prov.) (considering subordinated unsecured loan of Rs.42.18 crore as on March 31, 2024, as quasi equity and part of tangible net worth). Further, with increase in operating profit, interest coverage ratio improved from 3.40x in FY2023 to 7.32x in FY2024. Total debt/EBITDA and Total debt/GCA also improved from 1.74x and 3.02x as on March 31, 2023, to 1.08x and 1.60x respectively as on March 31, 2024 (Prov.). Total indebtedness as reflected by TOL/ANW also remained comfortable at 0.93x as on March 31, 2024 (Prov.).

Key Rating Weaknesses

- **Susceptibility of profitability to volatility in raw material prices**

Raw material costs constitute about 80%-85% of total cost of production for BIL with the primary raw materials being copper, steel, silver, polymer and brass. Since all these commodities are linked to global prices, the company is exposed to fluctuations in the same which could impact the profitability, if the company is unable to pass on the same to its customers.

- **Exposure to forex fluctuation risk**



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The company lacks backward integration and procures its raw materials from both domestic and international market. In FY24, ~18% of total raw material consumed have been procured from overseas market which exposes the company's profitability to foreign currency fluctuation risk. However, BIL follows appropriate hedging techniques and hence the unhedged foreign currency exposure stands NIL as on March 31, 2024.

- **Working capital intensive nature of operation**

BIL's operation is highly working capital intensive marked by its elongated receivables cycle due to long credit period availed by Government organisations. Further, the government clients withhold sizeable amount of retention money which is released post supply and installation of meters. This creates further pressure on the working capital of the company. Also, the company maintains two-three months of inventory in hand as a regular business practice. To manage its working capital requirements, BIL avails advances from its customers and resorts to its working capital borrowings. Accordingly, the average cash credit utilisation of BIL remained moderate at ~80% during the past 12 months ended May 2024 indicating a moderate liquidity cushion.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate in the near to medium term on the back of its expected sufficient cash accruals vis-à-vis its minimal debt repayment obligations of in the near to medium term. Overall gearing ratio was comfortable at 0.24x as on March 31, 2024 (Prov.), indicating a sufficient gearing headroom. The average utilisation of fund-based limits also remained moderate at ~80% during the last twelve months ended May 2024 indicating a sufficient cushion in its working capital limits. The current ratio also stood comfortable at 2.28x as on March 31, 2024 (Prov.).

About the Company



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Bentec India Limited (BIL, erstwhile Bentec Electricals and Electronics Pvt Ltd) was incorporated in October 1987 by Kolkata, West Bengal based Bhartia family to initiate an electrical equipment manufacturing business. BIL is engaged in manufacturing of electrical equipment like fully electronic energy meters, switch gears, fuse, MCCB, motor starters, wires and cables, LED lights etc. The company markets its products under the registered brand name “Benlo”. The company has six manufacturing facilities across Howrah & Kolkata (West Bengal), Faridabad (Haryana) and Baddi (Himachal Pradesh) with combined installed capacity of 20 lakh units per annum. The company has also set up a manufacturing facility for manufacturing of smart meters at its Faridabad unit the installed capacity of which is 50 lakh units per annum, the commercial production of which commenced from November 2023 onwards. BIL sells its products to major State Electricity Boards, Housing Boards, PWD of various state Governments apart from reputed companies like Larsen & Toubro, Simplex Infra, Bajaj Electricals etc.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	293.36	427.35
EBITDA	21.71	34.73
PAT	11.05	21.79
Total Debt	37.84	37.41
Tangible Net Worth	93.28	115.04
EBITDA Margin (%)	7.40	8.13
PAT Margin (%)	3.75	5.09
Overall Gearing Ratio (x)	0.32	0.24
Interest Coverage (x)	3.40	7.32

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					December 26, 2023	November 09, 2022	-
1	Term loan/GECL	Long Term	1.68 *	IVR BBB+/Stable	IVR BBB/Stable	-	-
2	Cash Credit	Long Term	23.00	IVR BBB+/Stable	IVR BBB/Stable	IVR BBB-/Stable	-
3	Cash Credit	Long Term	25.00	IVR BBB+/Stable	-	-	-
4	Bank Guarantee	Long Term	23.00	IVR BBB+/Stable	IVR BBB/Stable	IVR BBB-/Stable	-
5	Letter of Credit	Short Term	14.00	IVR A2	IVR A3+	IVR A3	-
6	Bank Guarantee	Short Term	50.00	IVR A2	IVR A3+	IVR A3	-
7	Bank Guarantee	Short Term	25.00	IVR A2	-	-	-

*Outstanding as on March 31, 2024.

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan/GECL	-	-	October 2026	1.68 *	IVR BBB+ / Stable
Cash Credit	-	-	-	48.00	IVR BBB+ / Stable
Bank Guarantee				23.00	IVR BBB+ / Stable
Letter of Credit	-	-	-	14.00	IVR A2
Bank Guarantee	-	-	-	75.00	IVR A2

**Outstanding as on March 31, 2024.*

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Bentec-India-07aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.