



## Press Release

### BCL Industries Limited

June 15, 2022

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Cash Credit	150* (enhanced from Rs 125 crore)	IVR A+/Stable (IVR Single A Plus with Stable Outlook)	Upgraded	Simple
Long Term Bank Facilities – Term Loans	135.35 (enhanced from Rs 28.28 crore)	IVR A+/Stable (IVR Single A Plus with Stable Outlook)	Upgraded	Simple
Short Term Bank Facilities	60** (enhanced from Rs 50 crore)	IVR A1+ (IVR A One Plus)	Upgraded	Simple
Fixed Deposits	1.60 (enhanced from Rs. 1.00 crore)	IVR A+/Stable (IVR Single A Plus with Stable Outlook)	Upgraded	Simple
<b>Total</b>	<b>321.95</b> <b>(Three Hundred Twenty One Crore and Ninety Five Lakhs Only)</b>			

Overall ceiling of Rs 185.00 crore include Cash Credit facility\* and Non-Fund Based facilities\*\*

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR A+ with a Stable Outlook and short-term rating of IVR A1+ for the bank loan facilities of BCL Industries Limited (BCL). Furthermore, assigned fixed deposits rating of IVR A+ with Stable outlook.

The rating draws comfort from its extensive experience of the promoters, diversified product portfolio, continuous improvement in scale of operation, strong financial risk profile with comfortable capital structure and moderate working capital requirement. However, these strengths are partially offset by exposure to risks associated with the agro-based nature of products and susceptibility of profitability to intense competition and volatility in raw material prices.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial and sustained growth in operating income and improvement in profitability.
- Sustenance of the capital structure and improvement in debt protection metrics.

#### **Downward Factors**

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables.
- Unplanned capital expenditure affecting the financial risk profile, particularly liquidity.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced Management**

BCL was started by Late Shri Dwarka Dass Mittal in 1976. His son Mr. Rajinder Mittal (Managing Director) took over the business after him and has been involved with the company for more than three decades. BCL is governed by a diverse Board of Directors who are assisted by a well-qualified and experienced leadership team in handling the business operations.

##### **Diversified product portfolio**

The company has diversified product portfolio in its both segments which enables the company to spread its risk and reduces dependency on single/few products. The company is engaged in extraction & refining of edible oils, processing of rice, distillery production from grains, ethanol production and real estate development. BCL derives ~73.73% of income from edible oil and rice segment, ~25.78% from distillery products and ~0.49% from real estate segment in FY22. BCL has its own brand names such as Home Cook, Do Khajoor and Murli in the edible oil and Vanaspati ghee segment which are quite popular in North India. The company also sells country liquor and IMFL under its own brand names such as Punjab Special, BCL, Asli Santra etc.



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### **Continuous improvement in scale of operation**

The total operating income of the company has witnessed an increasing trend with y-o-y growth of 39.37% in FY22. The total operating income improved from Rs.1427.23 crore in FY21 to Rs 1987.74 crore in FY22, driven by higher demand leading to higher capacity utilization, price affect and higher sale realization. The profitability of company in terms of EBITDA margin and PAT margin has improved in FY22 and stood at 6.93% (PY: 5.77%) and 4.26% (PY: 3.16%), respectively.

### **Strong financial risk profile**

The financials risk profile remained strong over the years backed by steady improvement of gross cash accrual from Rs. 57.85 crore in FY21 to Rs 98.17 crore resulting in comfortable debt protection metrics. The interest coverage ratio at 7.81x as on March 31, 2022 (PY: 6.96x). Total debt to GCA stood at 2.14 years as on March 31, 2021 (PY: 3.08 years).

### **Comfortable Capital Structure**

The capital structure of the company remained comfortable with its adjusted net worth of Rs.249.59 crore and over all gearing of 0.84x as on March 31, 2022 (Rs 232.28 crore net worth, 0.77x gearing as on March 31, 2021). Total debt of the company comprises of Rs 64.36 crore term loan along with current maturities of Rs 12.00 crore and working capital borrowing of Rs 132.38 crore as on March 31, 2022. Total indebtedness of the company improved from 1.46x in FY21 to 1.29x in FY22 driven by steady accretion of profits to reserves. BCL has issued fresh equity of Rs 5.00 crore in FY21 with a share premium of Rs 25.00 crore. Infomerics believes the capital structure and debt protection metrics will remain comfortable in the near term.

### **Moderate working capital requirement**

BCL Industries has a moderate operating cycle of 48 days driven by inventory and efficient receivables of 44 days and 22 days respectively as on March 31,2022. Further, payables days of 17 days in FY22. The inventory levels are high as the company maintains an inventory level to ensure steady and continuous production cycle. BCL fund-based working capital limits remained moderately utilised at ~64.47% during the past 12 months ended



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January 2022. Further, the non-fund based limits of the company remained utilized at ~79.60% during the past 12 months ended March 2022.

### **Key Rating Weaknesses**

#### **Exposure to risks associated with the Agro-based nature of products**

The company derives ~73.73% of income from edible oil and rice segment, 25.78% from distillery products in FY21. The edible oil business remains susceptible Availability of oil, both in the domestic and international markets, is linked to oilseed production, which is linked to monsoon, acreage under cultivation and yield.

#### **Susceptibility of profitability to intense competition and volatility in raw material prices**

The Indian edible oil industry is highly fragmented marked by the presence of numerous small players and low entry barriers. A large number of small units are operating in the sector with unbranded oils capturing a large part of the industry. Moreover, the raw material prices depend on international prices and demand supply situation both in the domestic and international markets. BCL is likely to remain exposed to intense competition in the industry and fluctuations in international oil prices. The edible oil and liquor industries also face significant intervention from the government, given the commoditised nature of products.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

#### **Liquidity –Adequate**

BCL earned gross cash accruals of Rs.98.17 crore as against its repayment obligation of Rs.26.01 crore as on March 31, 2022. The company fund-based working capital limits remained moderately utilised at ~64.47% during the past 12 months ended January 2022, indicating sufficient buffer to meet incremental requirements. The company has a current ratio of 1.84x as of March 31, 2022. Moreover, the company is expected to generate cash



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accruals in the range of Rs.100.00-140.00 crore as against its debt servicing obligation of ~Rs.2.50 to 13.00 crore FY23-25 attributable to low long-term debt in its capital structure. The company has adequate cash and cash equivalents amounting to Rs.19.20 crore as on March 31, 2022. All these factors reflect adequate liquidity position of the company.

### **About the Company**

BCL Industries Limited (BCL) was incorporated in 1976 as Bhatinda Chemicals & Vanaspati Private Limited. In 1985, the company became a public limited company, and the name was changed to Bhatinda Chemicals Limited. In January, 1993, the Company shares went for a public issue for 29 lakh shares of Rs.10 each at a premium of Rs.5. Subsequently in 2008, the name was changed to BCL Industries and Infrastructure Limited. The Company got the name "BCL Industries Limited" in 2018. BCL is listed at Bombay Stock Exchange. BCL is part of the Mittal 5 group, founded by Shri D.D. Mittal. The company has diversified business interests such as extraction & refining of edible oils, processing of rice, distillation and real estate development. Distillery unit has power plant of 10MW for captive use only.

### **Financials (Standalone):**

For the year ended*	(Rs. Crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	1427.23	1987.74
EBITDA	82.40	137.69
PAT	45.24	85.04
Total Debt	178.04	209.73
Adjusted Tangible Net worth	232.28	249.59
EBITDA Margin (%)	5.77	6.93
PAT Margin (%)	3.16	4.26
Overall Gearing Ratio (x)	0.77	0.84

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: None**

**Any other information: None**



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### 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 (Aug 04, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Aug 19, 2020)	Date(s) & Rating(s) assigned in 2019-20 (Aug 12, 2019)
1.	Cash Credit	Long Term	150.00* (enhanced from 125)	IVR A+/ Stable	IVR A/ Stable	IVR A-/ Stable	IVR A-/ Stable
2.	Term Loan	Long Term	135.35 (enhanced from 28.28)	IVR A+/ Stable	IVR A/ Stable	IVR A-/ Stable	IVR A-/ Stable
3.	Inland Letter of Guarantee	Short Term	7.50**	IVR A1+	IVR A1	IVR A2+	IVR A2+
4.	FLC(DA/DP)	Short Term	52.50** (enhanced from 42.50)	IVR A1+	IVR A1	IVR A2+	IVR A2+
5.	Fixed Deposits	Long Term	1.60 (enhanced from 1.00)	IVR A+/ Stable	IVR FA/ Stable	IVR FA-/ Stable	IVR FA-/ Stable

Overall ceiling of Rs 185.00 crore include Cash Credit facility\* and Non-Fund Based facilities\*\*

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### About Infomerics:

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.





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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](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	150.00*	IVR A+/ Stable
Long Term Bank Facilities – Term Loans	-	-	-	135.35	IVR A+/ Stable
Short Term Bank Facilities – Inland Letter of Guarantee	-	-	-	7.50**	IVR A1+
Short Term Bank Facilities – FLC(DA/DP)	-	-	-	52.50**	IVR A1+
Fixed Deposits	-	-	-	1.60	IVR A+/ Stable

Overall ceiling of Rs 185.00 crore include Cash Credit facility\* and Non-Fund Based facilities\*\*



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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-BCL-Industries-june22.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 [Complexity Level of Rated Instruments/Facilities](#).