



Press Release

BCL Industries Limited

August 08, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Cash Credit	200.00*	IVR A+/Stable (IVR Single A Plus with Stable Outlook)	Re-affirmed	Simple
Long Term Bank Facilities – Term Loans	125.18	IVR A+/Stable (IVR Single A Plus with Stable Outlook)	Re-affirmed	Simple
Short Term Bank Facilities	85.00**	IVR A1+ (IVR A One Plus)	Re-affirmed	Simple
Fixed Deposits	1.60	IVR A+/Stable (IVR Single A Plus with Stable Outlook)	Re-affirmed	Simple
Total	361.78 (Three Hundred Sixty one Crores & Seventy Eight lakhs Only)			

Overall ceiling of Rs 235 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 re-affirmed 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, 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 & decline in Revenue in FY23(A) due to a sudden fall in global edible oil prices in the Q2 of FY'23.



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IVR has principally relied on the standalone audited financial results of BCL Industries Limited upto 31 March 2023 and Projected Financials for FY24, FY25 and FY26 and publicly available information/ clarifications provided by the entity's management.

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, or sizeable 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 ~66.36% of income



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from edible oil and rice segment, ~33.11% from distillery products and ~0.52% from real estate segment in FY23. BCL has its own brand names such as Home Cook, Do Khajoor and Murlī 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.

Comfortable Operating Income and adequate Operating Margins

The total operating income declined from Rs.1987.74 crore in FY22 to Rs 1633.09 crore in FY23, due to fall in global edible oil prices, price affect and lower sale realization. However, the profitability of company in terms of EBITDA margin and PAT margin has remained comfortable in FY23 and stood at 6.88% (PY: 6.91%) and 4.40% (PY: 4.25%), respectively.

Strong financial risk profile

The financials risk profile remained strong over the years backed by adequate gross cash accrual to Rs 87.16 crore resulting in comfortable debt protection metrics. The interest coverage ratio at 15.45x as on March 31, 2023 (PY: 7.81x). Total debt to GCA stood at 3.87 years as on March 31, 2023 (PY: 2.14 years).

Comfortable Capital Structure

The capital structure of the company remained comfortable with its adjusted net worth of Rs.488.84 crore and over all gearing of 0.69x as on March 31, 2023 (Rs 369.66 crore net worth, 0.57x gearing as on March 31, 2022). Total debt of the company comprises of Rs 161.29 crore term loan along with current maturities of Rs 13.85 crore and working capital borrowing of Rs 162.55 crore as on March 31, 2023. Total indebtedness of the company remained comfortable to 1.02x in FY23 driven by steady accretion of profits to reserves. 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 55 days driven by inventory and efficient receivables of 59 days and 19 days respectively as on March 31,2023. Further, payables days



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of 23 days in FY23. 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 ~91% during the past 12 months ended March 2023. Further, the non-fund based limits of the company remained utilized at ~45.58% during the past 12 months ended March 2023.

Key Rating Weaknesses

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

The company derives ~66.36% of income from edible oil and rice segment, 33.11% from distillery products in FY23. 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.

Regulatory risk associated with edible oil industry:

The price of palm oil imported by India, from the largest exporters of the commodity in the world, i.e., Indonesia and Malaysia, are affected by the frequent duty structure changes done by the respective governments to protect their domestic industries. The price differential for carrying out refining operations in India depend upon the difference in duty between the



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export duty levied by the exporters on CPO and RPO and the import duty on the same by India. In order to protect the domestic players from cheap edible oil imports, government imposes import duty on both crude and refined oils. Accordingly, BCL is exposed to adverse changes in regulatory and import/export duty structures.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity –Adequate

BCL earned gross cash accruals of Rs.87.16 crore as against its repayment obligation of Rs.12.99 crore as on March 31, 2023. The company fund-based working capital limits were utilised at ~91% during the past 12 months ended March 2023, indicating sufficient buffer to meet incremental requirements. The company has a current ratio of 1.82x as of March 31, 2023. Moreover, the company is expected to generate cash accruals in the range of Rs.121.00-125.00 crore as against its debt servicing obligation of ~Rs.13.85 to Rs.40.16 crore FY24-26 attributable to low long-term debt in its capital structure. The company has significantly low cash and cash equivalents amounting to Rs.7.51 crore as on March 31, 2023. 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



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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)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	1993.07	1633.09
EBITDA	137.69	112.31
PAT	85.05	72.08
Total Debt	209.73	337.69
Tangible Net worth	369.66	488.84
EBITDA Margin (%)	6.91%	6.88%
PAT Margin (%)	4.24%	4.40%
Overall Gearing Ratio (x)	0.57x	0.69x

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Date : June 15 th , 2022	Date(s) & Rating(s) assigned in 2021-22 Date : August 04 th , 2021	Date(s) & Rating(s) assigned in 2020-21 Date : August 19 th , 2020
1.	Cash Credit	Long Term	200.00	IVR A+/ Stable	IVR A+/ Stable	IVR A/ Stable	IVR A-/ Stable
2.	Term Loan	Long Term	125.18	IVR A+/ Stable	IVR A+/ Stable	IVR A/ Stable	IVR A-/ Stable
3.	ILC/FCL	Short Term	85.00	IVR A1+	IVR A1+	IVR A1	IVR A2+
5.	Fixed Deposits	Long Term	1.60	IVR A+/ Stable	IVR A+/ Stable	IVR FA/ Stable	IVR FA-/ Stable

Overall ceiling of Rs 235.00 crore include Cash Credit facility* and Non-Fund Based facilities**



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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.

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.

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
Long Term Bank Facilities – Cash Credit	-	-	-	200.00	IVR A+/ Stable
Long Term Bank Facilities – Term Loans	-	-	-	125.18	IVR A+/ Stable
Short Term Bank Facilities – Inland Letter of Guarantee/FLC	-	-	-	85.00	IVR A1+
Fixed Deposits	-	-	-	1.60	IVR A+/ Stable

Overall ceiling of Rs 235.00 crore include Cash Credit facility* and Non-Fund Based facilities**

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-aug23.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](#).