



## Press Release

**Bedmutha Industries Limited**

**May 20, 2022**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	185.78	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Short Term Bank Facilities	73.51	IVR A3 [IVR A Three]	Assigned	Simple
<b>Total</b>	<b>259.29</b> <b>(Rupees Two Hundred Fifty Nine Crore and Twenty Nine Lakhs Only)</b>			

Details of Facilities are in Annexure 1

### Detailed Rationale

The rating assigned to the bank facilities of Bedmutha Industries Limited (BIL) derived strength from experienced team of management with over four decades of experience and execution capabilities in the wire manufacturing industry, established market position supported by diversified product, end user industries and reputed customer portfolio and low customer concentration risk, healthy profitability supported by subsidy receipts from Government of Maharashtra, adequate capacity available to ramp up over the medium term leading to moderate capex requirement and moderate financial profile with above average debt protection metrics; financial flexibility arising from demonstrated support from promoter and strategic investors. The ratings however remained constrained by susceptibility to fluctuations in commodity prices to the extent of raw material inventory holding; overall low susceptibility of revenue and margins to fluctuations in steel and copper prices, working capital intensive nature of operations, competition from organized and unorganized segment though established brand provides comfort.



## Press Release

### Key Rating Sensitivities:

#### Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals as envisaged
- Improvement in the capital structure along with improvement in debt service parameters

#### Downward Factors

- Larger-than-expected debt-funded capex, leading to deterioration in the financial profile, especially liquidity, gearing and debt coverage metrics
- Stretch in the working capital cycle leading to deterioration in liquidity

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced team of management with over four decades of experience and execution capabilities in the wire manufacturing industry**

Bedmutha Industries Limited (BIL) is a part of Bedmutha Group, spearheaded by Mr. K. R. Bedmutha and supported by Mr. Vijay and Ajay Bedmutha with diversified business interest in steel wire & copper sector, technical consultancy, chemical, agriculture, power and infrastructure sector. The promoters have over 4 decades of experience with strong technical and marketing expertise in wire drawing industry. The group is supported by team of professionals.

- **Established market position supported by diversified product, end user industries and reputed customer portfolio and low customer concentration risk**

The company has two divisions steel and copper wire division. BIL has pan India presence with significant presence in western and southern Indian states and has a well-entrenched presence on the back of large manufacturing capacities, established brand and long-standing relationship with customers. It has a wide customer base including traders and manufacturers across different industries like engineering and infrastructure, auto components, agriculture, household segment and so on. Out of total sales of BIL,



## Press Release

Top 5 customers contribute to ~20% of sales in 9MFY2022. Out of total raw material procured by BIL, Top 5 suppliers contribute to ~50% of raw material purchased in 9MFY2022.

- **Healthy profitability supported by subsidy receipts from Government of Maharashtra**

The operating margin remained healthy in the range of 5.16% to 7.37% during the past 3 years ended as on FY21, however same has improved and stood at 10.32% during 9MFY2022. Net cash accruals in 9MFY22 remained positive at INR 37.19 crore. The company profitability remains supported by subsidy from Government of Maharashtra in the form of GST refund. The subsidy is expected to remain in force till FY2025, thereby leading to healthy operating margins. Healthy profitability backed by subsidy receivable is expected to generate enough cash accruals to repay debt obligations.

- **Adequate capacity available to ramp up over the medium term leading to moderate capex requirement**

BIL has current installed capacity of 86,400 MTPA for its steel division and 16200 MTPA for its copper division. With sanctioning of working capital funds from banks and debt restructuring, BIL is able to ramp up its capacity utilizations. In 9MFY22 the company is operating ~47% capacity of its steel division and ~24% of its copper division. Going ahead with increase in sanctioned working capital bank financing and increase in its scale up operations the company is in comfortable position capacity to ramp up its production.

- **Moderate financial profile with above average debt protection metrics; financial flexibility arising from demonstrated support from promoter and strategic investors**

The capital structure marked by adjusted overall gearing has improved and remained moderate at 1.13 times as on December 31, 2021 as against 1.48 times as on March 31, 2021, mainly on account of schedule repayment of debt obligation coupled with addition of profits to reserves. Further cumulative redeemable preference shares (CRPS) is considered as part of networth as it is long term in nature. Total outside liabilities/ Net



## Press Release

adjusted tangible net worth is healthy at 1.98 times as on December 31, 2021 (as against 2.02 times as on March 31, 2021). Further interest coverage stood at 3.16 times and DSCR at 1.69 times as on December 31, 2021. Debt protection metrics are expected to improve going forward, backed by improvement in profitability and significant repayment of o/s loans going forward led by higher accruals.

### Key Rating Weaknesses

- **Susceptibility to fluctuations in commodity prices to the extent of raw material inventory holding; overall low susceptibility of revenue and margins to fluctuations in steel and copper prices**

The company's key raw material (70% of raw material cost) is wire rods for the steel division, which it procures from reputed players namely TATA Steel Limited, JSW Steel Limited, Jindal Steel & Power Limited, Rastriya Ispat Nigam Limited, Steel Authority of India Limited and other large players to maintain quality consistency. The prices of wire rods keep on fluctuating though the management enters into short term purchase contract which protects it from steep fluctuations to some extent. Since the company is a converter, BIL has the flexibility to procure either imports or procure directly from domestic market thereby protecting it from cheap imports/dumping except for existing inventory levels. The company procures copper from leading companies such as Vedanta, Hindalco as well as from traders as well as various scrap dealers. Since the prices of copper fluctuate a lot, the company books the order on back-to-back basis for future delivery contracts. Since raw material prices will be based on the date of delivery, BIL hedges the same on MCX as the contract prices are based on the date of order undertaken. This prevents the company from any raw material price fluctuation. All the hedging costs are already built into the contracts.

- **Working capital intensive nature of operations**

The operating cycle of the group had improved and stood at 70 days in FY21 (vis-à-vis 78 days in FY20) mainly on account of stretched its creditors which leads to elongated in creditors days from 26 days in FY20 to 35 days in FY21. Further Gross Current asset days remained at 104 days in FY21. This indicates working capital-intensive operations



## Press Release

of the companies, as a result of the same its working capital limits on combined basis utilized around 90% during the past 12 months ended as on March 31, 2022.

- **Competition from organized and unorganized segment though established brand provides comfort**

The company is exposed to competition from organized as well as unorganized players. Wire drawing, being a simple manufacturing process there are many mid-size entities involved in the same. While BIL is insulated owing to its technological advanced operations ensuring consistency in manufacturing process and quality parameters, nevertheless it remains exposed to competition from other organized players such as Tata Steel Limited for its Black Carbon Wires, fencing wires apart from unorganized segment. For complex and technological advance segments such as Wire Rope and Tyre Bead, the company has relatively less competition. Its main competitors include Usha Martin Limited and Bharat Wire Ropes Limited which are specialist in these segments while Tata Steel Limited, Rajratan Global Wire Limited, Aarti Steel Limited are among the leading Indian Player in the Tyre Bead division.

**Analytical Approach:** Consolidated Approach

The consolidated approach includes consolidation of one Subsidiary company (Kamalasha Infrastructure & Engineering Private Limited (KIEPL)) and one associate company (Ashoka Pre-con Private Limited (APPL)).

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Consolidation of Companies](#)

**Liquidity – Adequate**

BIL has recorded net cash accruals of Rs.37.19 crore during 9MFY22 and the same is expected to increase further with increase in scale of operation. The company maintains sufficient cash and bank balance to meet its liquidity requirements. The average bank limit utilisation for the working capital facilities of the group remained around 90% during the last



## Press Release

twelve months ended as on March 31, 2022. The company is in the process of increasing its working capital lines. The same is expected to improve overall liquidity profile of the company and assist increase in scale of operations. The projected average DSCR of 1.44x times indicate comfortable liquidity position of the company in meeting its debt obligations. Further the company has binding agreement from existing strategic investors (Badve Engineering Group) to the tune of Rs.15 crore which can be drawn down till March 2024 in case of any exigencies. Thus, the overall liquidity position of the company remained **Adequate**.

### About the Company

Bedmutha Industries Limited (BIL) is a one of the leading and broad-based producers of steel wire and wire products in Western India. Bedmutha Industries Ltd, the flagship company of Bedmutha group, was incorporated in August 1990 for manufacturing galvanized wire, both low and high carbon, for power transmission sector especially for State Electricity Boards (SEBs), automobile sector and agriculture sector. The company has two broad segments one is steel segment, and another is copper segment, and its products find applications in various industries such as Automotive, Power, Infrastructure, Agriculture, Retails etc. The manufacturing unit spread over 50 acres of land located at Nardana, Dhule (Maharashtra) with current installed capacity of 86,400 MTPA for its steel division and 16200 MTPA for its copper division.

### Financials (Consolidated)\*:

For the year ended / As on	(Rs. Crore)		
	31-Mar-2020 (A)	31-Mar-2021 (A)	31-Dec-2021 (U/A)
Total Operating Income	386.43	417.45	527.55
EBITDA	24.82	30.76	54.39
Adjusted PAT	-71.11	204.37	12.35
Total Debt	505.18	227.61	191.92
Adjusted Tangible Net worth	-163.88	153.81	169.35
EBITDA Margin (%)	6.42	7.37	10.31
PAT Margin (%)	-18.32	29.22	2.34
Overall Gearing Ratio (times)	-3.08	1.48	1.13

\*Classification as per Infomerics standards

A: Audited; U/A: Un-Audited



## Press Release

Status of non-cooperation with previous CRA: Nil

Any other information: None

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.	Fund Based – Rupee Term Loans	Long Term	105.43	IVR BBB- / Stable	–	–	–
2.	Fund Based – Working Capital Term Loans	Long Term	2.84	IVR BBB- / Stable	–	–	–
3.	Fund Based – Funded Interest Term Loans	Long Term	9.64	IVR BBB- / Stable			
4.	Fund Based – Cash Credit	Long Term	67.87	IVR BBB- / Stable			
5.	Non-Fund Based – Letter of Credit	Short Term	23.26	IVR A3			
6.	Non-Fund Based – Bank Guarantee	Short Term	50.25	IVR A3			

Name and Contact Details of the Rating Analyst:

Name: Mr. Rupesh Dhuri	Name: Mr. Noman Agashiwala
Tel: (022) 62396023	Tel: (022) 62396023
Email: <a href="mailto:rupesh.dhuri@infomerics.com">rupesh.dhuri@infomerics.com</a>	Email: <a href="mailto:noman.agashiwala@infomerics.com">noman.agashiwala@infomerics.com</a>



## Press Release

### 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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – Rupee Term Loans	–	–	31-Mar-2028	105.43	IVR BBB-/Stable
Long Term – Fund Based – Working Capital Term Loans	–	–	31-Mar-2028	2.84	IVR BBB-/Stable
Long Term – Fund Based – Funded Interest Term Loans	–	–	31-Mar-2028	9.64	IVR BBB-/Stable
Long Term – Fund Based – Cash Credit	–	–	–	67.87	IVR BBB-/Stable





## Press Release

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Short Term – Non-Fund Based – Letter of Credit	–	–	–	23.26	IVR A3
Short Term – Non-Fund Based – Bank Guarantee	–	–	–	50.25	IVR A3

### Annexure 2: List of companies considered for consolidated analysis:

Name of Company	Ownership	Consolidation Approach
Kamalasha Infrastructure & Engineering Private Limited (Subsidiary of Bedmutha Industries Limited)	54.75%	Full Consolidation
Ashoka Pre-con Private Limited (Associate of Bedmutha Industries Limited)	49.00%	Full Consolidation

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Bedmutha-may22.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](http://www.infomerics.com).