Bentec India Limited

December 26, 2023

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	48.49 (Enhanced from Rs.41.00 crore)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Revised from IVR BBB-/ Stable (Triple B Minus with Stable outlook)	Simple
Short Term Bank Facilities	64.00 (Enhanced from Rs.44.00 crore)	IVR A3+ (IVR A Three Plus)	Revised from IVR A3 (A Three)	Simple
Total	**112.49 (Rs. One hundred and twelve crore and forty-nine lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Bentec India Limited (BIL) is on account of improvement in business performance in FY2023 and in 8MFY24 marked by rise in total operating income and profit levels. Further, the ratings also continue to derive comfort from the experienced promoters coupled with continuous need based financial support from them, reputed clientele base with diversified product profile and established sales network. The rating also positively notes the comfortable order book position and satisfactory capital structure and debt coverage indicators of the company. 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.

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 an 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.
- Failure to infuse equity of Rs.5 crore and/or moderation in overall gearing to more than 1.0x.
- Deterioration in the working capital cycle impacting the liquidity.

Detailed Description of Key Rating Drivers

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 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 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

Total operating income (TOI) increased at a CAGR of ~34% during FY2021-FY2023 with a y-o-y growth of ~43% from Rs.205.42 crore in FY2022 to Rs.293.36 crore in FY2023 driven by significant increase in execution of the orders by the company owing to improvement in demand for meters consequent to higher focus of the government to improve the power distribution system under Revamped Distribution Sector Scheme (RDSS). With increase in topline EBITDA increased from Rs.15.96 crore in FY2022 to Rs.21.71 crore in FY2023, despite moderation in margin from 7.77% in FY2022 to 7.40% in FY2023 due to increase in operational and administrative overheads. However, with increase in absolute EBITDA, PAT margin increased marginally from 3.64% in FY2022 to 3.75% in FY2023. Gross cash accruals also improved from Rs.8.90 crore in FY2022 to Rs.12.51 crore in FY2023. Further, till November 2023, BIL achieved a TOI of Rs.253.53 crore The Company's ability to sustain the growth in top line without compromising in profit margins will be a key rating monitorable going forward.

Satisfactory revenue visibility

The company has on-going orders from organisations like Madhyanchal Vidyut Vitran Nigam Limited, Jharkhand Bijli Vitran Nigam Ltd, WBSEDCL and MSEDCL. Total outstanding order value is of Rs. 193.69 crore as on October 18, 2023, and the same is under execution and will be completed by FY2024 which indicates satisfactory near-term revenue visibility.

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 though moderated marginally remained comfortable at 0.32x as on March 31, 2023 against 0.19x as on March 31, 2022. The moderation was due to increase in unsubordinated unsecured loans (considering subordinated unsecured loan of Rs.25.00 crore from promoters, directors and group companies as quasi equity and part of tangible net worth). Further, with increase in profits, interest coverage ratio improved from 2.83x in FY2022 to 3.40x in FY2023. However, due to rise in total debt, total debt to EBITDA and total debt to GCA though moderated from 1.26x and 2.27x respectively as on March 31,2022 to 1.74x and 3.02x respectively as on March 31,2022 yet remained comfortable. Total indebtedness as reflected by TOL/TNW also remained comfortable at 1.06x as on March 31, 2023.

Key Rating Weaknesses

Susceptibility of profitability to volatility in raw material prices

Raw material costs constitute about 75%-80% 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

The company lacks backward integration and procures its raw materials from both domestic and international market. In FY23, ~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, 2023.

Working capital intensive nature of operations

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 borrowing; s. Accordingly, the average cash credit utilisation of BIL remained moderate at ~80% during the past 12 months ended August 2023 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 of default recognition

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 debt repayment obligations of Rs.0.90-1.00 crore during FY2024-FY2026. Overall gearing ratio was comfortable at 0.32x as on March 31, 2023, indicating a sufficient gearing headroom. The average utilisation of fund-based limits also remained moderate at ~80% during the last twelve months ended August 2023 indicating a sufficient cushion in its working capital limits. The current ratio stood comfortable at 1.99x as on March 31, 2023. Further, BIL had unencumbered cash and cash equivalent of Rs.0.72 crore as on September 30, 2023.

About the Company

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. The day-to-day affairs of BIL are looked after by Mr. Anup Bhartia, Director, along with other directors and a team of experience personnel.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	**31-03-2022**	**31-03-2023**
	Audited	**Audited**
Total Operating Income	205.42	293.36
EBITDA	15.96	21.71
PAT	7.53	11.05
Total Debt	20.17	37.84
Tangible Net worth (including quasi equity)	103.76	118.28
EBITDA Margin (%)	7.77	7.40
PAT Margin (%)	3.64	3.75
Overall Gearing Ratio (x)	0.19	0.32

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Rating (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(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
					November 09, 2022	-	-
1	Term loan	Long Term	2.49 (New Facility)	IVR BBB/ Stable	-	-	-
2	Cash Credit	Long Term	23.00 (Enhanced from Rs.18.00 crore)	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
3	Bank Guarantee	Long Term	23.00	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
4	Bank Guarantee	Short Term	50.00 (Enhanced from Rs.30.00 crore)	IVR A3+	IVR A3	-	-
5	Letter of Credit	Short Term	14.00	IVR A3+	IVR A3	-	-

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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).

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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
Term Loan	-	-	October 2026	2.49 (New Facility)	IVR BBB/ Stable
Cash Credit	-	-	-	23.00 (Enhanced from Rs.18.00 crore)	IVR BBB/ Stable
Bank Guarantee				23.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	50.00 (Enhanced from Rs.30.00 crore)	IVR A3+
Letter of Credit	-	-	-	14.00	IVR A3+

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

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-Bentec-dec23.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.