



## Press Release

### Bentec India Limited

November 09, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	41.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	44.00	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>85.00</b> <b>(Eighty-five crore)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Bentec India Limited (BIL) derives strength from its experienced promoter, reputed clientele and diversified product profile with established sales network. Also, the ratings positively note improvement in its financial performance in FY2022 and in H1FY2023 coupled with comfortable capital structure with improvement in debt coverage indicators in FY2022. However, these rating strengths remain constrained by volatile raw material prices, exposure to foreign currency fluctuation risk and its working capital intensive nature of operations.

#### Key Rating Sensitivities

##### Upward Factors:

- Significant growth in scale of business 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 marked by rise in interest coverage to over 3x
- 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.
- Deterioration in working capital cycle impacting the liquidity and/or moderation in overall gearing to more than 1.0x.



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### 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 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 Bwngal), 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 financial performance in FY2022 and in H1FY23**

The operating income of the company remained erratic over the past three fiscals. BIL's revenue was marginally affected in FY2021 due to the impact of the COVID 19 pandemic and consequent lockdown restrictions. However, with improvement in covid scenario, the company was operational during the entire financial year in FY2022 and reported a year-on-year growth of ~25% in its total operating income (TOI) from Rs.162.60 crore in FY2021 to Rs.205.42 crore in FY2022 backed by increased demand for meters. With increase in TOI, EBITDA margin also improved from 6.53% in FY2021 to 7.77% in FY2022 supported by increase in sales realisation coupled with decrease in overhead costs. Consequently, the PAT margin also improved from 3.19% in FY2021 to 3.64% in FY2022. Gross cash accruals also improved



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from Rs.6.31 crore in FY2021 to Rs.8.90 crore in FY2022. Further, BIL achieved a TOI of Rs.122.90 crore during H1FY23 as against a TOI of Rs.83.68 crore during H1FY22 on the back of increase in the demand for meters and other electrical equipment manufactured by the company. The Company's ability to sustain the growth in top line without compromising in margins will be a key rating monitorable going forward.

- **Comfortable capital structure coupled with improvement in debt coverage indicators in FY2022**

The capital structure of the company remained comfortable over the past three account closing dates. The overall gearing ratio improved and remained comfortable at 0.19x as on March 31, 2022, against 0.24x as on March 31, 2021 (considering subordinated unsecured loan of Rs. 21.50 crore as a part of tangible net worth) driven by healthy accretion of profits to net worth. Further, with increase in profits, the debt protection metrics also improved with interest coverage ratio at 2.90x (1.89x in FY2021) in FY22 and total debt to GCA at 2.27x (3.69x in FY2021) as on March 31, 2022.

**Key Rating Weakness:**

- **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 of 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 FY22, ~14% 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, 2022 and June 30, 2022 respectively.

- **Working capital intensive nature of operation**

BIL's operations 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



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practice. To manage its working capital requirements, BIL avails advances from its customers and resorts to its working capital borrowing. Accordingly, the average cash credit utilisation of BIL remained moderate at ~82% during the past 12 months ended August 2022 indicating a moderate liquidity cushion.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)

**Liquidity Position: 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.1.50-2.0 crore during FY2023-FY2025. BIL earned gross cash accruals of Rs.8.90 crore in FY22. Overall gearing ratio was comfortable at 0.19x as on March 31, 2022 indicating a sufficient gearing headroom. However, the average utilisation of fund based limits remained moderate at ~82% during the last twelve months ended August, 2022 indicating a moderate cushion. Additionally, BIL had unutilised LC (Letter of Credit) limit to the tune of Rs.6.93 crore and unutilised BG (Bank Guarantee) limit to the tune of Rs.22.19 crore as on August 31, 2022 which provides some comfort. Further, BIL had unencumbered cash and cash equivalent of Rs.0.50 crore as on August 31, 2022.

**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). 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.



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### Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	162.60	205.42
EBITDA	10.62	15.96
PAT	5.28	7.53
Total Debt	23.38	20.17
Tangible Net worth	96.04	103.76
EBITDA Margin (%)	6.53	7.77
PAT Margin (%)	3.19	3.64
Overall Gearing Ratio (x)	0.24	0.19

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Vide Press Release dated November 03, 2022 Brickwork Ratings has moved the ratings of the company to Issuer Non Cooperating category due to non-submission of information by the company.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	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.	Cash Credit	Long Term	18.00	IVR BBB-/Stable	-	-	-
2.	Bank Guarantee	Long Term	23.00	IVR BBB-/Stable	-	-	-
3.	Bank Guarantee	Short Term	30.00	IVR A3	-	-	-
4.	Letter of Credit	Short Term	14.00	IVR A3	-	-	-

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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).





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Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

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 / Outlook
Cash Credit	-	-	-	18.00	IVR BBB-/Stable
Bank Guarantee	-	-	-	23.00	IVR BBB-/Stable
Bank Guarantee	-	-	-	30.00	IVR A3
Letter of Credit	-	-	-	14.00	IVR A3
<b>Total</b>				<b>85.00</b>	

**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-India-nov22.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).



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