



## Press Release

**Bedmutha Industries Limited**

**August 18, 2023**

### Ratings

<b>Instrument / Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Bank Facilities	147.87 (Reduced from Rs.185.78 crore)	IVR BBB-/Stable Outlook [IVR Triple B Minus with Stable Outlook]	Reaffirmed	Simple
Short Term Bank Facilities	73.51	IVR A3 [IVR A Three]	Reaffirmed	Simple
<b>Total</b>	<b>221.38</b> <b>(Rupees Two Hundred Twenty-One Crore and Thirty-Eight Lakhs Only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The reaffirmation in the ratings to the bank facilities of Bedmutha Industries Limited (BIL) continue to reflect experienced management, established market position supported by diversified product and reputed clientele base, healthy profitability supported by subsidy receipts from Government of Maharashtra, adequate capacity available to ramp up over the medium term and moderate financial profile with above average debt protection metrics. The ratings however remained constrained by susceptibility to fluctuations in commodity prices of steel and copper, working capital intensive nature of operations, competition from organized and unorganized segment.

### Key Rating Sensitivities:

#### Upward Factors

- Sustained growth in scale of operation along with improvement in profitability margins thereby leading to overall improvement in cash accruals.



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- Improvement in the capital structure along with improvement in debt service parameters
- Timely receipt of subsidy from Govt. of Maharashtra.

### 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 negatively impacting liquidity position.

### 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, top 10 customers contribute to ~42% of sales in FY23. Out of total raw material procured by BIL, top 10 suppliers contribute to ~70% of raw material purchased in FY23.



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

The operating margin remained healthy in the range of 6.42% to 9.86% during the past 4 years ended as on FY23, the same has marginally improved and stood at 9.86% in FY23 (vis-à-vis 9.56% in FY22) on account of higher turnover. The company profitability remains supported by subsidy from Government of Maharashtra in the form of GST refund. The subsidy is expected to continue till FY2025, leading to healthy operating margins.

- **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. During FY23, BIL's capacity utilisation has been impacted due to closure of its Nashik plant and consolidated all its activities at single location at Nardana. However, IVR expects BIL to achieve optimum capacity utilisation from FY24 onwards with stabilization of capacities at Nardana plant.

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

The capital structure as indicated by adjusted overall gearing ratio and total outside liabilities / adjusted net worth (TOL/ATNW) ratio had improved and stood comfortable at 0.79 times and 1.55 times respectively as on March 31, 2023 (vis-à-vis 1.09 times and 1.84 times respectively as on March 31, 2022) mainly on account of repayment of debt. Owing to this debt coverage indicators as indicated by interest coverage ratio and total debt to gross cash accruals ratio has improved and stood at 7.76 times and 2.79 times respectively in FY23 (as against 5.91 times and 3.65 times respectively in FY22) coupled with improvement in profitability margins. Further debt protection metrics are expected to improve going forward, backed by expected improvement in profitability and significant repayment of outstanding debt led by higher accruals.



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### 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%) is wire rods for the steel division, which it procures from TATA Steel, JSW, JSPL, RINL, SAIL 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 18 days in FY23 (vis-à-vis 25 days in FY20) mainly on account of stretched its creditors leads which to elongated in creditors days from 42 days in FY22 to 58 days in FY23. Further Gross Current asset days remained at 76 days in FY23. This indicates working capital-intensive operations of the companies, as a result of the same its working capital limits on combined basis utilized around 85% during the past 12 months ended as on June 30, 2023.

- **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



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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

The consolidated approach includes consolidation of 49% owned associate company [namely Ashoka Pre-con Private Limited (APPL)].

### **Applicable Criteria:**

[Criteria for assigning rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

[Consolidation of Companies](#)

### **Liquidity – Adequate**

The company generates sufficient cash accruals in order to meet its debt obligation. Further it 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 86% during the last twelve months ended as on June 30, 2023. The projected average DSCR of 1.50x indicate comfortable liquidity position of the company in meeting its debt obligations. Additionally, 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**.

Further BIL has contingent liability of recompensate to the banker amounting to Rs.38 crore at the end of FY23. IVR notes that this liability will arise only if BIL achieve EBITDA of Rs.93 crore for two consecutive years. IVR expects even if BIL breach this trigger, BIL is expected to generate excess of cash flows of around Rs.30 crore to Rs.40 crore which would be





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sufficient enough to pay these contingent liabilities. IVR also note that banker will support BIL to repay these contingent liabilities by spreading it over the longer tenure based on available cash flows of the company.

### 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)\*:

	(Rs. Crore)	
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	711.94	743.34
EBITDA	68.08	73.29
PAT	9.38	13.01
Total Debt	188.24	153.77
Adjusted Tangible Net worth	172.10	195.25
EBITDA Margin (%)	9.56	9.86
PAT Margin (%)	1.30	1.74
Overall Gearing Ratio (times)	1.09	0.79

\*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil.

Any other information: None



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### 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(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
Press Release					12-Jul-2022	-	-
1.	Fund Based – Rupee Term Loans	Long Term	71.51	IVR BBB- / Stable	IVR BBB- / Stable	-	-
2.	Fund Based – Working Capital Term Loans	Long Term	1.95	IVR BBB- / Stable	IVR BBB- / Stable	-	-
3.	Fund Based – Funded Interest Term Loans	Long Term	6.54	IVR BBB- / Stable	IVR BBB- / Stable	-	-
4.	Fund Based – Cash Credit	Long Term	67.87	IVR BBB- / Stable	IVR BBB- / Stable	-	-
5.	Non-Fund Based – Letter of Credit	Short Term	23.26	IVR A3	IVR A3	-	-
6.	Non-Fund Based – Bank Guarantee	Short Term	50.25	IVR A3	IVR A3	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (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)

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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	71.51	IVR BBB-/Stable
Long Term – Fund Based – Working Capital Term Loans	–	–	31-Mar-2028	1.95	IVR BBB-/Stable
Long Term – Fund Based – Funded Interest Term Loans	–	–	31-Mar-2028	6.54	IVR BBB-/Stable
Long Term – Fund Based – Cash Credit	–	–	–	67.87	IVR BBB-/Stable





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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: Not Applicable

Name of Company	Ownership	Consolidation Approach
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-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 [www.infomerics.com](http://www.infomerics.com).