Press Release

Black Diamond Motors Private Limited

December 14, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	70.08 (Enhanced from Rs. 24 Crore)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Revised from IVR BBB- /Stable (IVR Triple B Minus with Stable outlook)	Simple
Total	**70.08 (INR Seventy Crore & Eight Lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of Black Diamond Motors Private Limited (BDMPL) considers improvement in its operating performance in FY22(Audited) and in 8MFY23 marked by steady improvement in its scale of operation coupled with rise in gross cash accruals. Further, the rating continues to derive strength from its experienced promoters, geographically diversified revenue profile, comfortable financial risk profile marked by comfortable capital structure with satisfactory debt protection metrics and prudent working capital management. However, these rating strengths continue to remain constrained due to susceptibility of its profitability to volatility in its raw material prices, exposure to intense competition in automotive component industry which exert pressure on profit margins and exposure to cyclicality inherent in automobile industry. The rating also considers exposure of the company to ongoing project risk.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in the top line and profitability of the company leading to improvement in gross cash accruals
- Improvement in the capital structure with improvement in overall gearing and improvement in debt protection metrics
- Completion of project within envisaged timeline without any cost overrun

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators leading to dip in interest coverage ratio to below 3x.
- Moderation in the capital structure with moderation in the overall gearing ratio to over 1.5x.
- Moderation in the working capital cycle impacting the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The promoters have long standing experience in the mining construction, hospitality, manufacturing business and have favourable relations with suppliers and customers. Moreover, the company also has good tie ups with Tata Motors Limited.

- **Geographically diversified business profile**

The company has a well-diversified geographical presence in the country, with its major brand pull in North & Central India.

- **Improvement in business performance in FY22 and in 8MFY23**

The total operating income (TOI) of the company has improved from Rs.62.24 crore in FY21 to Rs.179.38 crore in FY22 backed by higher demand of its products attributable to improvement in economic activities post covid scenarios leading to improvement in both sales volume and sales realisation. Rising mining activities and higher demand of coal in FY22 has resulted in higher demand of tailers and tippers for transportation. With rise in total operating income, profit levels of the company have also witnessed steady improvement in FY22. Further, the EBITDA margin of the company has improved from 4.67% in FY21 to 6.66% in FY22 backed by rise is average sales realisation and higher absorption of fixed overheads attributable to rise in capacity utilisation (to ~85%) in FY22. The PAT margin of the company has also improved on the back of rise in absolute EBITDA from 0.06% in FY21 to 3.60% in FY22. Consequently, the gross cash accruals have also improved from Rs.1.51 crore in FY21 to Rs.7.95 crore in FY22. The company has achieved a revenue of Rs.180.77 crore in 8MFY22 underpinned by healthy demand of its product.

In FY23, the company has witnessed healthy order flow from North India which mainly drive the revenue.

- **Improvement in working capital management**

The company has prudently managed its working capital requirements and reduced its working capital cycle to around 49 days during FY22 from 141 days in FY21. Moreover, the closing utilisation of its working capital is at ~52% during the past 12 months ended October 31, 2022.

- **Comfortable financial risk profile**

The financial risk profile of the company is comfortable marked by its comfortable capital structure underpinned by its comfortable leverage ratios with satisfactory debt protection metrics. Further, the total indebtedness of the company, as reflected by TOL/TNW has also stood comfortable at 0.78x as on March 31,2022. The debt protection matrices of the company have also improved in FY22 backed by rise in profitability and gross cash accruals. The interest coverage ratio, Total debt to EBITDA and Total debt to GCA remained healthy at 5.89x in FY22 and 0.14x and 0.21x respectively as on March 31,2022. The leverage ratios of the company are expected to be moderated as on March 31,2023 due to availment of term loans to fund the ongoing capex in Rajasthan. However, despite the moderation, the leverage ratios are expected to remain satisfactory going forward.

Key Rating Weaknesses

- **Susceptibility of profitability to fluctuation in raw material prices**

Steel, tyre is the primary raw material for the company. The prices of which are volatile in nature. Hence any adverse movement in raw material prices may impact the profitability of the company to an extent.

- **Exposure to intense competition**

The company's products are up against dealers from other major brands, as well as the unorganised used automobile market. Original equipment manufacturers also urge more dealerships to expand their market penetration and sales, increasing dealer competition. Demand for automobiles is also cyclical and depends upon multiple factors, such as economic growth, interest rates, and fuel prices.

- **Ongoing project risk**

The company has embarked a project for commissioning of a new plant in Rajasthan to tap the nearby markets. The envisaged cost of the new project is Rs.64 Crore to be funded by a term loan of Rs.40 crore (already sanctioned) and rest Rs.24 crore to be funded by promoters' contribution. The project started in June 2022 & is expected to start commercial operation by June 2023. Till December 05,2022 the company has incurred total cost of Rs. 27.97 crore, of which Rs.14 Crore has been funded via bank loan, Rs.6.47 Crore funded with fresh equity & the remaining through internal accruals.

- **Cyclical nature of the auto industry**

The auto sector is naturally exposed to economic cycles and borrowing rates and fuel prices are extremely volatile. A rise in interest rates raises the expenses of purchasing, causing the purchase to be postponed. Fuel prices have a direct impact on vehicle operating costs, and any increase would result in lower consumer disposable income, influencing buying decisions. As a result, the company is exposed to severe risks linked with the automobile industry's dynamics.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria for assigning rating outlook

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate marked by its adequate expected gross cash accruals as against its repayment obligations during FY23-FY25. Further, the company is having sufficient gearing headroom on the back of its comfortable capital structure. Moreover, the average working capital limit utilization of the company also remain satisfactory at ~52% in the 12 months ended October 31, 2022, thereby providing a sufficient liquidity cushion.

About the Company

Black Diamond Motors Private Limited was incorporated on 21st September 2005. It is involved in manufacturing of tip trailers. They are also producer of products such as tippers, rocky body, box trailers, semi low bed trailers, flat bed trailers, skeletal trailers, and all kind of customised trailers for various applications. Its manufacturing unit is located in Bilaspur, Chhattisgarh with annual production capacity of 1650 units.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-March-21	31-March-22
	(Audited)	(Audited)
Total Operating Income	62.24	179.38
EBITDA	2.91	11.94
PAT	0.04	6.46
Total Debt	19.95	1.70
Tangible Net worth	29.84	42.77
EBIDTA Margin	4.67	6.66
PAT Margin	0.06	3.60
Overall Gearing ratio (x)	0.67	0.04

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

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 2022-23 (Jun 08, 2022)	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	24.00 (Including proposed of Rs.0.25)	IVR BBB/ Stable	IVR BBB-/ Stable	-	-	-
2.	Term Loan	Long Term	40.00	IVR BBB/ Stable	-	-	-	-
3.	GECL	Long Term	4.94	IVR BBB/ Stable	-	-	-	-

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4.	SME Car Loan	Long Term	1.14	IVR BBB/ Stable	-	-	-	-

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About Infomerics Ratings:

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).

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 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 Assigned/ Outlook
Cash Credit	-	-	-	24.00	IVR BBB/ Stable
Term Loan	-	-	Q1FY33	40.00	IVR BBB/Stable
GECL	-	-	March, 2025	4.94	IVR BBB/Stable
SME Car Loan	-	-	July, 2025	1.14	IVR BBB/Stable

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

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-Black-Diamond-dec22.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.