



## Press Release

### BLS Ecotech Limited

January 30, 2025

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	168.67	IVR BBB-/Stable [IVR Triple B Minus with Stable Outlook]	-	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>168.67</b>	<b>(Rupees one hundred sixty-eight crore and sixty-seven lakhs only)</b>			

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Infomerics Ratings has assigned its rating to the bank facilities for the long-term facilities to IVR BBB- with stable outlook of BLS Ecotech Limited.

The assigned rating takes into consideration the established position in RPSF (Recycled polyester staple fibre) industry coupled with extensive experience of the promoters. The rating also draws comfort from synergies through backward integration and long-term relations with customers resulting in repeat orders. However, these rating strengths are partially offset by moderation in scale of operations and profitability margins coupled with moderate capital structure and debt protection metrics. The rating also remained constrained by susceptibility of profitability to intense competition and volatility in raw material prices. Infomerics has also taken note of its foreign based subsidiary, Kairos Textile Industries Limited, where business operations have been discontinued and proceeds from monetisation of its assets will be infused into BLS Ecotech Limited.

The 'Stable' outlook reflects Infomerics Ratings expectation of improved profitability and growing scale of operations. Infomerics believes the company will continue to benefit from its operational track record in the business resulting in increased scale of operations.

Infomerics Ratings has principally relied on the standalone audited financial results of BLS Ecotech Limited up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Increase in scale of operations and/or profitability margins leading to an increase in cash accruals of the company.
- Improvement in financial risk profile and liquidity, wherein, the specific credit metric will be overall gearing ratio remaining below unity on a sustained basis.

#### **Downward Factors**

- Decrease in scale of operations and/or profitability margins, thereby, deteriorating cash accruals of the company.
- Deterioration in capital structure and debt protection metrics.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

**Established position in RPSF (recycled polyester staple fibre) industry coupled with extensive experience of the promoters.**

The company has established a foothold in recycled polyester staple fibre industry leveraging its expertise for delivering good quality products. The promoters carry an experience of around more than a decade and their long-standing presence in the industry supports the business risk profile of the company and recently the company has expanded its capacity from 54000 MTPA to 72000 MTPA.

#### **Synergies through backward integration**

The company has fully backward integrated manufacturing facilities, which include segregation, washing of pet bottles, making pet flakes and then manufacturing the final product i.e., recycled polyester staple fibre. Backward integration helps the company in cost control and also improves the supply chain control.



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### **Long term relations with customers resulting in repeat orders**

The company's strong relation with the key stakeholders, including the customers bolsters the company's position in the market, as the customers give repeated orders to the company and that too on a frequent basis. Enhanced customer relations help the company with increased revenue and profitability.

### **Key Rating Weaknesses**

#### **Moderation in scale of operations and profitability margins**

The total operating income of the company has grown at (CAGR) of 10.71% during the past three years ended as on March 31, 2024. Further, the TOI of the company has declined by 20.40% in FY24 and stood at Rs. 341.39 crore compared to Rs. 428.89 crore in FY23 on account of decline in sales volume as well as average realization of polyester staple fibre. The EBITDA of the company stood at Rs. 31.96 crore in FY24 increased from Rs. 29.36 crore in FY23. The PAT of the company stood at Rs. 6.52 crore in FY24 declined from Rs. 9.15 crore in FY23. Despite decline in scale of operations, the EBITDA margin of the company improved by 252 bps and stood at 9.36% in FY24 compared to 6.85% in FY23 on account of decline in raw material consumption cost. Although the EBITDA margin improved, the PAT margin of the company moderated by 22 bps and stood thin at 1.91% in FY24 compared to 2.13% in FY23 on account of higher interest and finance cost.

#### **Moderate capital structure and debt protection metrics**

The capital structure of the company stood moderate marked by overall gearing at 1.17x as on March 31, 2024 deteriorated from 0.86x as on March 31, 2023 on account of higher utilization of bank borrowings along with infusion of term loan. The company has given a corporate guarantee of Rs. 5.50 Cr. during FY24 to its associate company named Mondew Agri Science Private Limited, which was Rs. 15.50 Cr. during FY23. The indebtedness of the company stood moderate marked by TOL/TNW at 1.71x as on March 31, 2024 deteriorated from 1.23x as on March 31, 2023 on account of increase in investment in its subsidiary company. The debt protection metrics stood moderate marked by ICSR of 2.37x in FY24 compared to 3.72x in FY23. Further, the DSCR stood at 1.05x in FY24 deteriorated from 1.29x in FY23 on account of increase in interest expense. The total debt to NCA stood high at 8.39x



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in FY24 compared to 5.17x in FY23 on account of increase in total debt along with decline in GCA.

### **Susceptibility of profitability to intense competition and volatility in raw material prices**

Susceptibility to fluctuations in the prices of key raw materials - polyester fibre, synthetic filament, and cotton fibre - persists. The prices of polyester fibre and filament are closely linked to crude oil rates, which remain volatile. Cotton fibre prices, too, exhibit cyclical volatility and depend on the monsoon and international demand have remained high in the recent past. However, with the introduction of mandatory Bureau of Indian Standard (BIS) certification in October 2023, the dumping of few categories of polyester yarn from China is expected to reduce with EBITDA margin expected to improve going forward.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

The company's liquidity is comfortable marked by 88.89% average utilisation of fund-based limits during the past 12 months ended October 2024. The unencumbered cash and bank balance stood at Rs. 0.04 crore as on March 31, 2024.

Further, the company expects sufficient cushion in cash accruals against its debt repayments. The company is expecting GCA in the range of Rs. 20.41 Cr. - Rs. 33.54 Cr. during FY25-27 against debt repayment of Rs. 15.03 Cr.- Rs. 13.45 Cr. in FY25-27. The company has a Current Ratio of 0.97x as on March 31, 2024, compared to 0.99x as on March 31, 2023. The Working Capital Cycle of the company stood at 84 days in FY24 days which was 64 days in FY23.



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### About the Company

BLS Ecotech Limited (BEL), incorporated in 1999, is engaged in manufacturing of recycled polyester fibre using pet bottle scarp. BEL is the manufacturer of recycled polyester fibre in India and its products find application mainly in textile industry & automotive industry. The company is headquartered at Delhi and has manufacturing units in Rajasthan with total installed capacity of 72,000 MTPA (recently expanded from 54,000 MTPA). The company is promoted by Mr. Madhukar Aggarwal, aged 62 years, a qualified postgraduate from Delhi University and has more than 40 years of experience in Chemical and allied businesses.

### Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	428.89	341.39
EBITDA	29.36	31.96
PAT	9.15	6.52
Total Debt	93.47	133.64
Adjusted Tangible Net Worth	54.54	46.20
EBITDA Margin (%)	6.85	9.36
PAT Margin (%)	2.13	1.91
Overall Gearing Ratio (x)	2.00	3.01
Interest Coverage (x)	3.72	2.37

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not applicable

### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1.	Fund Based Limits	Long Term	168.67	IVR BBB-/ Stable	-	-	-





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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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facility – Term Loan	-	-	-	January 2031	73.67	IVR BBB-/Stable
Long Term Facility- Cash Credit	-	-	-	-	80.00	IVR BBB-/Stable
Long Term Facility- Proposed Long Term	-	-	-	-	15.00	IVR BBB-/Stable

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-BLS-Ecotech-jan25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: 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).