



## Infomerics Valuation And Rating Pvt. Ltd.

### BCL Industries Limited

August 12, 2019

#### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Bank Facilities- Long Term	155.00	IVR A-/Stable Outlook (IVR Single A Minus with Stable Outlook)
2.	Bank Facilities- Short Term	25.00	IVR A2+ ( IVR A Two Plus)
3.	Fixed Deposit (FD)	0.60	IVR FA-/Stable Outlook (IVR Fixed Deposit Single A Minus with Stable Outlook)

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating draws comfort from the company's experienced management, sustained growth in scale of operations and profitability, diversified revenue profile and strong debt protection metrics. These strengths are partially offset by its working capital intensive operations, susceptibility of profitability to intense competition and volatility in raw material prices and exposure in real estate. Working capital management, capital structure and sale of remaining real estate inventory at competitive rates are the key rating sensitivities.

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

##### Key Rating Strengths

##### *Experienced Management*

BCL was started by Late Shri Dwarka Dass Mittal in 1976. His son Mr.Rajinder Mittal (Managing Director) took over the business after him and has been involved with the company for more than three decades. BCL is governed by a diverse Board of Directors chaired by Mr. R C Nayyar, Retired IAS. The Board of Directors are assisted by a well qualified and experienced leadership team in handling the business operations.



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### ***Sustained growth in scale of operations and profitability***

The operating income of the Company has registered a CAGR of 10.11% in the three years through FY19. The EBITDA margin and PAT margin improved to 8.23% and 4.59%, respectively in FY19, from 5.51% and 2.15% in FY18. This is driven by better realisation on supply of ethanol to Oil Marketing Companies (OMCs) and saving on transportation cost through efficient management of logistics. The Company acquired a fleet of 25 tankers to ensure timely delivery of ethanol to OMCs at Gujarat which carry raw vegetable oils on the return leg to Bhatinda, thus leading to savings in transportation costs.

### ***Diversified revenue profile***

The Company has diversified business interests such as extraction & refining of edible oils, processing of rice, distillation of alcohol and real estate development. In FY19, refined oil and vanaspati segment contributed 55.31% to the topline of the Company, rice contributed 4.65%, ethanol or ENA segment contributed 35.68% and real estate segment contributed 4.36%.

### ***Strong debt protection metrics***

BCL has strong debt protection metrics as reflected in interest coverage ratio of 3.97x and Total Debt/GCA of 3.49x for FY19. The debt protection metrics are likely to remain strong over the medium term on the back of improvement in accruals driven by increase in scale and profitability.

### **Key Rating Weaknesses**

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

The Indian edible oil industry is highly fragmented marked by the presence of numerous small players and low entry barriers. A large number of small units are operating in the sector with unbranded oils capturing a large part of the industry. Moreover, the raw material prices depend on international prices and demand supply situation both in the domestic and international markets. BCL is likely to remain exposed to intense competition in the industry and fluctuations in international oil prices.



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### ***Working capital intensive operations***

BCL has large working capital requirements as reflected in operating cycle of 87 days as on March 31, 2019. This is mainly on account of high inventory levels as the crude edible oil is imported and stored to ensure a steady supply for the oil refining unit. The average utilisation of the cash credit facility over the 12 months through May 2019 stood at around 91.16%

### ***Exposure in real estate***

BCL has also completed two real estate projects namely Ganpati Enclave and DD Mittal Towers in Bathinda. The total number of flats for sale at Ganpati Enclave and DD Mittal Towers stood at 680 and 550 respectively and approximately 27% of the inventory is unsold in both the projects. Though the company has no plans to carry out any other real estate projects in future, however sale of remaining inventory at competitive rates is critical to the liquidity profile of the company.

### **Analytical Approach & Applicable Criteria:**

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity**

BCL does not plan to avail of any additional long term loans in future, while the working capital borrowings are expected to increase with the increase in scale of operations. Hence, the interest outgo is expected to remain stagnant going forward. The bank limits remained highly utilized in the twelve months through May-19. However, BCL is expected to generate adequate cash accruals to service its repayment obligations over the next one year with projected ICR of over 3x.

### **About the Company**

BCL Industries Limited (BCL) was incorporated in 1976 as Bhatinda Chemicals & Vanaspati Private Limited. In 1985, the company became a public limited company and the name was changed to Bhatinda Chemicals Limited. In Jan 1993, the Company shares went for a public



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issue. Subsequently in 2008, the name was changed to BCL Industries and Infrastructure Limited. The Company got the name “BCL Industries Limited” in 2018. BCL is listed on the Bombay Stock Exchange.

The company has diversified business interests such as extraction & refining of edible oils, processing of rice, distillation and real estate development.

### Financials (Standalone):

For the year ended*	(Rs. crore)	
	31-03-2018	31-03-2019
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	850.79	896.13
EBITDA	46.86	73.76
PAT	18.40	41.44
Total Debt	221.65	187.58
Tangible Net worth	132.17	182.98
EBITDA Margin (%)	5.51	8.23
PAT Margin (%)	2.15	4.59
Overall Gearing Ratio (x)	1.68	1.03

\*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 Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17

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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
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1.	Long Term Fund Based Limits – Cash Credit	Long Term	100.00	IVR A- /Stable	-	-	-
2.	Long Term Fund Based Limits – Term Loan	Long Term	50.42	IVR A- /Stable	-	-	-
3.	Long Term Fund Based Limits – Proposed Term Loan	Long Term	4.58	IVR A- /Stable	-	-	-
4.	Short Term Non-Fund Based Limits – Letter of Credit	Short Term	22.50	IVR A2+	-	-	-
5.	Short Term Non-Fund Based Limits – Bank Guarantee	Short Term	2.50	IVR A2+	-	-	-
6.	Fixed Deposits	Long Term	0.60	IVR FA- /Stable	-	-	-

**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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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and



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Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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 Bank Facilities- Cash Credit	-	11.70%	On demand	100.00	IVR A-/Stable
Long Term Bank Facilities- Term Loan	-	11.30%-12%	Varied	50.42	IVR A-/Stable
Long Term Bank Facilities- Proposed Term Loan	-	-	-	4.58	IVR A-/Stable
Short Term Bank Facilities –Letter of Credit	-	-	< 1 year	22.50	IVR A2+
Short Term Bank Facilities- Bank Guarantee	-	-	< 1 year	2.50	IVR A2+
Fixed Deposits	-	-	Varied up to March 2021	0.60	IVR FA-/Stable