



## Press Release

**Bedmutha Industries Limited (BIL)**

**September 06<sup>th</sup>, 2024**

### Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	117.15 (Reduced from Rs.147.87 crore)	IVR BBB-/ Positive [IVR Triple B Minus with Positive Outlook]	IVR BBB-/ Stable [IVR Triple B Minus with Stable Outlook]	Reaffirmed and outlook revised to positive	<a href="#">Simple</a>
Short term Bank Facilities	73.51	IVR A3 [IVR A Three]	IVR A3 [IVR A Three]	Reaffirmed	<a href="#">Simple</a>
<b>Total</b>	<b>Rs. 190.66 crore (Rupees One hundred and ninety Crore and sixty-six 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 reaffirmed its rating assigned to the bank facilities of BIL reflects comfort from the sustained improvement in total operating income, stable profitability, moderate capital structure and debt protection metrics, efficient working capital cycle and established track record of operations and experienced management. The rating strengths are, however, constrained by susceptibility of operating margin to volatile input prices and competition from organized and unorganized segment though established brand provides comfort.

The Positive outlook reflects expected improvement in leverage in FY25 on the back of expected improvement in profitability.

### Key Rating Sensitivities:

#### Upward Factors

- Significant growth in total operating income and further improvement in profitability margins thereby leading to overall improvement in cash accruals on a sustained basis.
- Sustained improvement in capital structure



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### Downward Factors

- Sustained decline in revenue and profitability and/or deterioration in working capital cycle and/or any unplanned debt fund led capex leading to deterioration in credit profile and the liquidity position.

### List of Key Rating Drivers with Detailed Description

#### A. Key Rating Strengths

##### Sustained improvement in total operating income

BIL's revenue has increased by 16% on y-o-y basis to Rs.863.66 crore as per FY24 (A) (period refers from April 01<sup>st</sup>, 2023 to March 31<sup>st</sup>, 2024) due to increase in volume of goods sold along with higher sales realization. Additionally, BIL gets continuous order flow from reputed clientele on a regular basis, along with they have successfully acquired new customers which grow the total operating income. Infomerics expects revenue growth remain sustainable in the future on account of growing demand for steel and copper across sectors such as construction, power, infrastructure. Additionally, the company's strategic diversification into the electric vehicle (EV) sector which will also benefit the topline in future. However, BIL has achieved a revenue of Rs.254.84 crore in Q1FY25 which is 27.50% of the projected revenue which seems to be achievable.

##### Stable profitability

BIL's EBITDA margin remained comfortable though slightly declined to 9.18% as per FY24 (A) (FY23: 9.86%), this was mainly due to increase in copper production which resulted into increase in raw material cost as compared to sales. However, the EBITDA margins remain supported by subsidy from Government of Maharashtra in the form of GST refund. The subsidy is expected to continue till November 2025, leading to healthy EBITDA margins. EBITDA margin excluding subsidy stood at 3.44% in FY24 (A) (FY23: 3.15%). The subsidy which has been accrued in the past, will continue to give a cash flow of Rs.30 to Rs.40 crore per year as there is time lag of 2 years between subsidy accrual and receipt. Hence, as per management, subsidy accrual will end by November 2025; however, the company will continue to receive subsidy till March 2028. Infomerics believes except subsidy, EBITDA margins will improve in future on account of product improvisation along with healthy demand



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from domestic as well as global market which will help the BIL to improve its margins. However BIL has achieved a EBITDA margin of 4.40% in Q1FY25. PAT margin also improved to 2.41% as per FY24 (FY23: 1.74%) due to higher EBITDA along with stable interest expenses.

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

The capital structure of BIL's marked by overall gearing ratio & TOL/TNW has remain moderate at 1.95x and 3.70x respectively as on March 31st, 2024 (vis-à-vis 0.78x and 1.53x respectively as on March 31, 2023) this significant deterioration was due to the reclassification of Non-convertible Redeemable Preference Shares (NCRPS) from equity to debt, as effective maturity falls below 10 years, which leads to increase in leverage and deterioration in the capital structure. TOL/TNW remain moderate in FY24 and expected to remain stable through FY25-FY27 as the company is continuously repaying its term debt and with expected improvement in profitability. Despite that gearing and TOL/TNW remain moderate in FY24 and is expected to improve through FY25-FY27 as the company is continuously repaying its term debt and with expected improvement in profitability.

BIL's debt protection metrics remains moderate with interest coverage stood at 3.27x at the end of FY24 (FY23: 3.13x) this was due to maintenance of healthy gross profitability margins. Total debt / NCA stood at 5 years in FY24 (FY23: 3.42 years). Total debt of BIL's stood at Rs.234.57 crore out of which working capital accounted for Rs.66.30 crore and remaining is long term debt of Rs. 167.78 crore which includes Non-Convertible Redeemable Preference shares of Rs.108.85 crore. The timely repayment of term debt and rise in operating profits supported the debt protection metrics, with estimated Total debt/NCA at 4.08 years and DSCR at 1.74x in FY2025. The debt protection metrics are likely to remain moderate in the medium term.

### **Established track record of operations and experienced management**

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 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.



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### **Efficient working capital cycle**

BIL's net operating cycle stood efficient at 10 days as per FY24 (A) as compared to FY23 it was 18 days. Receivable and creditor days stood at 41 and 63 in FY24 (FY23: 38 and 58 respectively). The BIL maintains an average inventory of around 32 to 38 days of various varieties and grades for smooth running of operations as the inventory days stood at 32 in FY24 (FY23: 38). It generally extends credit of 30-60 days to its customers and gets same credit from its suppliers. Furthermore, BIL hold a one-month inventory buffer to cater to the diverse demands of its customer base.

### **B. Key Rating Weaknesses**

#### **Susceptibility of operating margin to volatile input prices**

BIL's primary raw material for its steel division is Wire Rods, which account for 70% of its raw material costs. The company sources these from reputed suppliers like TATA Steel, JSW, JSPL, RINL, and SAIL to ensure consistent quality. Although Wire Rod prices fluctuate, BIL mitigates steep price changes through short-term purchase contracts. As a converter, BIL can choose to import or buy domestically, protecting itself from the impact of cheap imports, except for existing inventory levels. For Copper procurement, BIL sources from leading companies such as Vedanta and Hindalco, along with traders and scrap dealers. Due to the volatility in copper prices, BIL places orders on a back-to-back basis for future delivery contracts. The pricing for raw materials is determined on the delivery date, and BIL hedges these costs on the MCX, ensuring that all hedging expenses are incorporated into the contracts, thus prevent the company from price fluctuations.

#### **Competition from organized and unorganized segment though established brand provides comfort.**

BIL faces competition from both organized and unorganized players in the market. The wire drawing process is relatively simple, leading to the presence of many mid-sized companies. While BIL benefits from its technologically advanced operations that ensure consistent manufacturing quality, it still competes with established organized players like Tata Steel for products such as Black Carbon Wires and fencing wires, as well as with unorganized competitors. In more complex segments like Wire Rope and Tyre Bead, BIL experiences less competition.



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### **Analytical Approach:** Consolidated Approach

The consolidated approach includes consolidation of associate company [namely Ashoka Precon Private Limited (APPL)] which have common shareholding and management, same line of business, inter-company transactions in terms of sales and purchase. Further they have operational as well as financial linkages. Moreover, APPL is the 49% owned associate company of BIL and is involved in the business of Manufacturing of metals.

### **Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing companies](#)

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

[Criteria on Default Recognition](#)

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

### **Liquidity: Adequate**

The liquidity profile of BIL is adequate with expected to generate gross cash accruals in the range of Rs. ~Rs.46 crore to Rs. ~59 crore as against the repayment obligation of Rs.7 crore to Rs.19.00 crore over FY25 and FY27. Recently in Q1FY25 BIL has sold their non-core asset which includes land of Rs.16.70 crore and plant to Rs.7.5 crore which will also improve the liquidity in FY25. And Rs. ~3.50 crore is not yet received. So the tune of Rs.24 to ~26 crore will make a turnover of Rs.100 to Rs.200 crore which will also increase the bottom line. The current ratio stood at 1.48x as on March 31st, 2024 (FY23: 1.40x); while quick ratio remains moderate at 1.23x (FY23: 1.07x). The average fund-based bank limit utilization in the last 12 months ended May 31<sup>st</sup>, 2024, stood at 89%, the liquidity position of the company stood adequate. DSCR of the BIL stood comfortable at 1.31x in FY24 provisional improved from 1.02x in FY23. Cash flow from operations are also positive at Rs.40.99 crore as per FY24.

### **About the company**

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



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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 (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	743.34	865.18
EBITDA	73.29	79.45
PAT	13.01	20.93
Total Debt	153.77	234.57
Tangible Net Worth	197.14	120.46
EBITDA Margin (%)	9.86	9.18
PAT Margin (%)	1.74	2.41
Overall Gearing Ratio (x)	0.78	1.95
Interest Coverage (x)	3.13	3.27

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

### Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	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.	Long term Bank Facilities	Long term	117.15	IVR BBB-/ Positive	(Aug 18, 2023) IVR BBB-/ Stable	(May 20, 2022) IVR BBB-/ Stable	-
2.	Short term Bank Facilities	Short term	73.51	IVR A3	(Aug 18, 2023) IVR A3;	(May 20, 2022) IVR A3;	



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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.

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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 – Term Loan	--	--	March 2028	12.24	IVR BBB-/ Positive
Long Term Bank Facilities – Term Loan	--	--	March 2028	8.16	IVR BBB-/ Positive
Long Term Bank Facilities – Term Loan	--	--	March 2028	4.68	IVR BBB-/ Positive
Long Term Bank Facilities – Term Loan	--	--	March 2028	12.28	IVR BBB-/ Positive
Long Term Bank Facilities – Term Loan	--	--	March 2028	6.73	IVR BBB-/ Positive
Long Term Bank Facilities – WCTL	--	--	March 2028	1.21	IVR BBB-/ Positive
Long Term Bank Facilities – FITL	--	--	March 2028	1.15	IVR BBB-/ Positive
Long Term Bank Facilities – FITL	--	--	March 2028	0.73	IVR BBB-/ Positive
Long Term Bank Facilities – FITL	--	--	March 2028	0.34	IVR BBB-/ Positive
Long Term Bank Facilities – FITL	--	--	March 2028	0.92	IVR BBB-/ Positive
Long Term Bank Facilities – FITL	--	--	March 2028	0.84	IVR BBB-/ Positive
Long Term Bank Facilities – Cash Credit	--	--	Revolving	22.09	IVR BBB-/ Positive
Long Term Bank Facilities – Cash Credit	--	--	Revolving	9.33	IVR BBB-/ Positive
Long Term Bank Facilities – Cash Credit	--	--	Revolving	22.11	IVR BBB-/ Positive
Long Term Bank Facilities – Cash Credit	--	--	Revolving	14.34	IVR BBB-/ Positive
Short Term Bank Facilities – Letter of Credit	--	--	--	15.56	IVR A3
Short Term Bank Facilities – Letter of Credit	--	--	--	7.70	IVR A3
Short Term Bank Facilities – Bank Guarantee	--	--	--	15.80	IVR A3
Short Term Bank	--	--	--	12.00	IVR A3





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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Facilities – Bank Guarantee					
Short Term Bank Facilities – Bank Guarantee	--	--	--	15.80	IVR A3
Short Term Bank Facilities – Bank Guarantee	--	--	--	6.65	IVR A3

**Annexure 2: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Bedmutha-sep24.pdf>

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

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