



Press Release

Bharat Insulation Company India Private Limited

November 20th, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	36.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	27.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Long Term / Short Term Bank Facilities (Proposed)	2.00	IVR BB+/Stable; IVR A4+ (IVR Double B Plus with Stable Outlook & IVR A Four Plus)	Assigned	Simple
Total	Rs.65.00 (Rupees Sixty-Five Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Bharat Insulation Company India Private Limited (BICIPL) derive strength from long track record and extensive experienced of promoter in the cable industry and stable revenue growth. The rating is however constrained on account of thin profitability margins, moderate capital structure and elongated working capital cycle.

Key Rating Sensitivities:

Upward Factors

- Significant & sustained increase in scale of operations with improvement in profitability and debt protection metrics.
- Improvement in working capital cycle.

Downward Factors

- Substantial decline in the revenue and profitability leading to sustained decline in the debt protection metrics and/or liquidity profile.
- Deterioration in working capital cycle.



Press Release

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Long track record and extensive experienced of promoter in the cable industry

BICIPL has a long track record of operations of more than five decades in manufacturing of winding and welding copper wires industry. BICIPL is promoted by two promoters Mr. Dhiren Mehta and Mr. Sanat Mehta. Mr. Dhiren Mehta having more than four decades of experience in the wire and cables industry while Mr. Sanat Mehta having decades of experience in the same line of business. The two promoters' extensive experience has aided in their ability to build relationships with suppliers and clients and to obtain repeat business. They are well supported by a team of qualified and experienced professionals.

Stable revenue growth

BICIPL's revenue has increased at CAGR of 11.87% through FY20-FY23 to Rs. 364.27 crore in FY23 (prov.) this growth is driven by increase in volume as well as realisations. BICIPL's volume has shown improvement driven by repetitive orders from its existing customers, further year-on-year basis the total operating income has improved by ~9% to Rs.364.27 crore in FY23 (Prov.) {vis-à-vis Rs.335.33 crore in FY22}.

B. Key Rating Weaknesses

Thin Profitability margins

BICIPL's EBITDA margin has declined year-over-year basis from FY20 to FY22. In FY20, the EBITDA margin was 5.93% it declined to 3.75% in FY22 due to an increase in copper prices. In FY23 despite an increase of copper prices EBITDA margin has marginally improved to 3.84%. Net profit margin improved but remained low at 0.86% in FY23 as compared to 0.45% in FY22, due to marginal increase in gross profit.

Moderate Capital structure

BICIPL's capital structure marked by overall gearing ratio and TOL/TNW has remained moderate at 2.41x and 2.72x as of March 31, 2023, (prov.) respectively, due to higher utilization of working capital limits as on balance sheet date. ICSR and DSCR of the company remained comfortable at 2.14x and 1.99x respectively as a result of improvement in scale of operation and profitability margins.



Press Release

Elongated Working Capital Cycle

BICIPL's operating cycle remains moderate due to higher inventory days standing at 65 days in FY23 (prov.) as the company needs to maintain their inventory to meet the needs of its diverse customer base, which includes retail and wholesale segments. However, they maintain the inventory to manage immediate orders to retain customers. The collection period is stood comfortable at 37 days as the company provide credit period of 0 to 60 days for their customers.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Criteria on Default Recognition](#)

[Criteria of assigning rating outlook](#)

[Rating methodology for manufacturing companies](#)

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

Liquidity: Adequate

The liquidity of the BICIPL is remains adequate as evidenced by gross cash accruals of Rs. 6.13 crore in FY23 (prov.). The company is expected to generate adequate cash accruals to cover the debt obligation during FY24-FY26. The average working capital utilization stood at ~53% during the 12 months ended September 2023. The current ratio stood at 2.05x as on March 31, 2023. The cash balance as of March 31, 2023, remained at Rs. 0.57 crore.



Press Release

About the company

Bharat Insulation Company (India) Private Limited (BICIPL) is a manufacturer of winding and welding copper wires in India. The company was incorporated in 1974 by Mr. Dhiren Mehta, who has more than four decades of experience in the wires and cables industry and Mr. Sanat Mehta, who also has decades of experience in the same line of business, and he is the Director of the company. The company's products are used in a wide range of industries, including automobiles, electrical, industrial and home appliances, transformers, and switchgear. The company's manufacturing facility is located in Aurangabad, Maharashtra, and has a capacity to manufacture 5500 MT per year.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Provisional)
Total Operating Income	335.33	364.27
EBITDA	12.56	14.00
PAT	1.52	3.15
Total Debt	80.21	86.80
Tangible Net worth	33.29	36.09
Ratios		
EBITDA Margin (%)	3.75	3.84
PAT Margin (%)	0.45	0.86
Overall Gearing Ratio (x)	2.41	2.41

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

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
1.	Long Term Bank Facilities	Long Term	36.00	IVR BB+/Stable	-	-	-
2.	Short Term Bank Facilities	Short Term	27.00	IVR A4+	-	-	-



Press Release

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
3.	Long Term / Short Term Bank Facilities (Proposed)	Long Term / Short Term	2.00	IVR BB+/ Stable; IVR A4+	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Amey Joshi

Tel: (022) 62396023

Email: amey.joshi@infomerics.com

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 visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not



Press Release

recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy, or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank 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
Long term fund-based – Cash Credit	--	--	Revolving	36.00	IVR BB+/Stable
Short Term non-fund based – Letter of Credit	--	--	--	19.00	IVR A4+
Short Term non-fund based – Letter of Credit	--	--	--	8.00	IVR A4+
Proposed Bank Facilities	--	--	--	2.00	IVR BB+/Stable; IVR A4+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Bharat-Insulation-nov23.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.