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Bedmutha Industries Limited (BIL)

February 11th, 2025

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	113.26 (Reduced from Rs.117.15 crore)	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	IVR BBB-/ Positive [IVR Triple B Minus with Positive Outlook]	Ratings Upgraded	Simple
Short term Bank Facilities	73.51	IVR A3+ [IVR A Three Plus]	IVR A3 [IVR A Three]	Ratings Upgraded	Simple
Total	Rs. 186.77 crore (Rupees One hundred and eighty-six Crore and seventy-seven lakhs only)				

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 upgraded its rating assigned to the bank facilities of BIL reflects comfort from the sustained improvement in total operating income and stable profitability during H1 FY 25 and expected to maintain in FY25. The rating continues to derive comfort from 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 Stable outlook reflects expected improvement in capital structure 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.865.18 crore as per FY24 (A) (period refers from April 01st, 2023 to March 31st, 2024). In the latest quarterly results of H1FY25, BIL has achieved a revenue of Rs.524.10 crore mainly 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.

Stable profitability

BIL's EBITDA margin has remained stable at 9.18% in 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. In addition, till 6MFY25 BIL has maintained its EBITDA margin above 9% (i.e., 9.07%) 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. No further accrual will occur from Q4 FY 2024-25 onward. The subsidy which has been accrued in the past, will continue to give a cash flow of Rs.26 to Rs.50 crore per year as there is time lag of 2 years between subsidy accrual and receipt. So, the company will receive subsidy till March 2029. Additionally, since only 90% of the accrual is paid and the remaining 10% of accrual for all the years is pending will be paid post completion i.e., March 2029. Infomerics believes except subsidy, EBITDA margins will improve in future on account of



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product improvisation along with healthy demand from global market which will help the BIL to improve its margins.

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 31st, 2023) due to Non-convertible Redeemable Preference Shares (NCRPS) treated as debt from FY24 onwards which resulted into deterioration in the capital structure. As on balance sheet date September 30th, 2024 overall gearing stood at 1.47x and TOL/ATNW at 2.97x respectively (FY24: 1.99x and 3.78x respectively). This marginal improvement was due to repayment of loans and healthy accretion of profits to reserve which increase the net worth base. However, BIL is planning to be paid off the NCRPS through private equity placement and expects bank approvals and completion of the redemption by 31.03.2025 which will significantly improve the capital structure in the future.

BIL's debt protection metrics remains moderate with interest coverage stood at 3.27x at the end of FY24 (FY23: 3.13x). Till 6MFY25 interest coverage stood at 2.74x due to maintenance of healthy gross profitability margins. Total debt / NCA stood at 5 years in FY24 (A) (FY23: 3.42 years). At the end of FY24 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. However, this will significantly improve at the end of FY25, due to redemption NCRPS. As on date September 30th, 2024, total debt stood at Rs.236.58 crore out of which Rs.115 crore is NCRPS, Rs.67.95 is long term debt and remaining is working capital limits. The timely repayment of term debt and rise in operating profits supported the debt protection metrics, with estimated Total debt/NCA at 1.36 years and DSCR at 2.04x in FY2025.

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 12 days as on September 30th, 2024, as compared to FY24 it was 10 days. Receivable and creditor days stood at 80 and 116 at the end of September 2024 (FY24: 41 and 63 respectively). The BIL maintains an average inventory of around 30 to 50 days of various varieties and grades for smooth running of operations as the inventory days stood at 49 at the end of September 2024 (FY24: 32). 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

Moderate capex plans, though unlikely to impact debt profile.

During FY25-FY27, BIL is incurring capex amounting to Rs. 358.40 crore for installation of new machineries and for product improvisation, which is supported by subsidy approval from government of Maharashtra for capex. As of November 30th, 2024, it has already invested Rs. 101.60 crore and remaining through a combination of subsidies and internal accruals. This capex unlikely to impact the debt protection metrics due to capex is almost fully backed by subsidy as well BIL has strong net worth.

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.



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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.

Analytical Approach: Standalone Approach

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. ~74 crore as against the repayment obligation of Rs.7 crore to Rs.20.00 crore over FY25 and FY27. The current ratio stood at 1.48x as on March 31st, 2024 (FY23: 1.40x); while quick ratio remains moderate at 1.23x. The average fund-based bank limit utilization in the last 12 months ended November 30th, 2024, stood at 83%, the liquidity position of the company stood adequate. DSCR of the BIL stood comfortable at 1.31x in FY24. Cash flow from operation are also positive at Rs.36.67 crore as on September 2024.

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	12.62	20.26
Total Debt	153.77	234.57
Tangible Net Worth	197.14	120.62
EBITDA Margin (%)	9.86	9.18
PAT Margin (%)	1.69	2.33
Overall Gearing Ratio (x)	0.78	1.94
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 2024-25	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	113.26	IVR BBB/ Stable	(Sep 06, 2024) 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 BBB/ Stable	(Sep 06, 2024) 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.

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

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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	11.36	IVR BBB/ Stable
Long Term Bank Facilities – Term Loan	--	--	March 2028	7.62	IVR BBB/ Stable
Long Term Bank Facilities – Term Loan	--	--	March 2028	4.04	IVR BBB/ Stable
Long Term Bank Facilities – Term Loan	--	--	March 2028	11.37	IVR BBB/ Stable
Long Term Bank Facilities – Term Loan	--	--	March 2028	6.23	IVR BBB/ Stable
Long Term Bank Facilities – WCTL	--	--	March 2028	1.12	IVR BBB/ Stable
Long Term Bank Facilities – FITL	--	--	March 2028	1.07	IVR BBB/ Stable
Long Term Bank Facilities – FITL	--	--	March 2028	0.67	IVR BBB/ Stable
Long Term Bank Facilities – FITL	--	--	March 2028	0.28	IVR BBB/ Stable
Long Term Bank Facilities – FITL	--	--	March 2028	0.85	IVR BBB/ Stable
Long Term Bank Facilities – FITL	--	--	March 2028	0.78	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	22.09	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	9.33	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	22.11	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	14.34	IVR BBB/ Stable
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 Facilities – Bank Guarantee	--	--	--	12.00	IVR A3+
Short Term Bank Facilities – Bank Guarantee	--	--	--	15.80	IVR A3+
Short Term Bank Facilities – Bank Guarantee	--	--	--	6.65	IVR A3+



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Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-bedmutha-feb25.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.