Press Release

BCL Industries Limited

Aug 19, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities – Cash Credit*	125.00	IVR A-/ Stable Outlook (IVR Single A Minus with Stable Outlook)	Reaffirmed
2.	Long Term Bank Facilities – Term Loan	53.17	IVR A-/ Stable Outlook (IVR Single A Minus with Stable Outlook)	Reaffirmed
3.	Short Term Bank Facilities*	50.00	IVR A2+ (IVR A Two Plus)	Reaffirmed
4.	Fixed Deposit	0.70	IVR FA-/Stable Outlook(IVR Fixed Deposit Single A Minus with Stable Outlook)	Reaffirmed

*Over all ceiling of Rs 150 crore for CC facility and short term facility.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the company's experienced management, improvement in operating income in financial year 2019 and 9MFY20 with strong debt protection metrics. The ratings also positively consider diversified product portfolio and average capital structure. 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.

Key Rating Sensitivities:

Upward Factor:

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics

Downward factor:

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.

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 who are assisted by a well qualified and experienced leadership team in handling the business operations.

Improvement in operating income in FY19 and 9MFY20:

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 driven by ethanol supply to Oil Marketing Companies (OMCs) including purchasing of 25 tankers for timely delivery to OMCs. The tankers carry ethanol from Bathinda to Gujarat and return with lifting raw vegetable oils imported by the company for further processing at its edible unit at Bathinda. This has made the logistics efficient by considerably reducing the cost of transportation. Further, in 9MFY20 the company has earned total operating income of Rs 699.66 and achieved PAT of Rs. 22.58 crore against an total operating income Rs 653.95 crore and PAT of Rs 34.23 crore in 9MFY19. The growth in total operating income is driven by price affect with increase in capacity utilisation for ENA and the realisation of sale , However decline in PAT is due to increase in cost of raw material consumptions.

Diversified product portfolio:

BCL derives 52% of income from edible oil and rice segment , 45% from distillery products and 3% from real estate segment contribution in 9MFY20. The company is engaged in extraction & refining of edible oils, processing of rice, distillery production from grains, ethanol production and real estate development .The company has diversified product portfolio in its both segments which enables the company to spread its risk and reduces dependency on single/few products. BCL has its own brand names such as Home Cook, Do Khajoor and Murli in the edible oil and Vanaspati ghee segment which are quite popular in North India. The company also sells country liquor and IMFL under its own brand names such as Punjab Special, BCL, Asli Santra etc.

Strong debt protection metrics

The debt protection metrics of the company remained comfortable over the years. The gross cash accrual of company witnessed an improvement from Rs 17.80 crore in FY17 to Rs 53.71 crore in FY19 and Rs 32.61 crore in 9MFY20.The interest coverage ratio remained strong at 4.14x as on March 31,2019 and 4.57x as on 9MFY20. Total debt to GCA stood at 3.49 years as on March 31,2019. The debt protection metrics are likely to remain strong over the medium term.

Average capital structure

The capital structure of the company remained comfortable in the past three financial years. The overall gearing and long term debt to equity ratio stood at 1.18x and 0.61x with a modest net worth of Rs.182.99 crore as on March 31,2019. The company’s total debt comprises of term loan of Rs 76.90 with repayment of Rs 13.75 crore , unsecured loan of Rs 6.75 crore and bank borrowings of Rs 90.19 crore as on March 31,2019. However, Total indebtedness of the company as reflected by TOL/ANW improved marginally at 2.34x FY19 from 2.78x in FY18 due to improvement in net worth driven by higher accretion of profits and decrease in unsecured loan. BCL has issued fresh equity of Rs 1.72 crore in FY20. Infomerics believes the capital structure and debt protection metrics will remain comfortable in FY20 driven by increase in scale of operations, profitability and decrease in total debt.

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

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. BCL fund-based working capital limits remained highly utilised at ~93% during the past 12 months ended March, 2020. Further, the non-fund based limits of the company also remained almost fully utilised.

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 valued at Rs 45.60 crore for both the projects as on March 31,2019.The company has 11% of inventory in unsold valued at Rs 36.20 crore as on March 2020(Estimated).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: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

BCL earned a GCA of Rs.53.71 crore in FY19 as against its repayment obligation of Rs.13.75 crore and GCA of Rs.32.61 crore as on 9MFY20. The company fund-based working capital limits remained highly utilised at ~93% during the past 12 months ended March 2020, further the non-fund based limits of the company also remained almost fully utilised. The company has a Current Ratio of 1.39x as of March 31, 2019. The company does not plan to avail additional term loan in future, however the working capital limit are expected to increase in

FY20. However, BCL is expected to generate sufficient cushion in accruals vis-à-vis its repayment obligations in FY20 and FY21 which imparts comfort.

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 issue for 29 lakh shares of Rs.10 each at a premium of Rs.5. 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 at Bombay Stock Exchange. BCL is part of the Mittal group, founded by Shri D.D. Mittal.

The company has diversified business interests such as extraction & refining of edible oils, processing of rice, distillation and real estate development. Distillery unit has power plant of 10MW for captive use only

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2018	31-03-2019
	Audited	Audited
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	182.99
^Adjusted Net Worth	128.20	158.58
EBITDA Margin (%)	5.51	8.23
PAT Margin (%)	2.15	4.59
Overall Gearing Ratio (x)	1.73	1.18

^Investment in associate company is taken into consideration while calculating Adjusted net worth.

**Classification as per Infomerics’ standards*

Status of non-cooperation with previous CRA: Issuer rating withdrawn by Brickwork vide press release dated Dec 27, 2019 asper NOC issued by banker.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Limits – Term Loan	Long Term	53.17	IVR A-/Stable	IVR A-/Stable	-	-
2.	Long Term Fund Based Limits – Cash Credit*	Long Term	125.00	IVR A-/Stable	IVR A-/Stable	-	-
3.	Short Term Non Fund Based Limits – Bank Guarantee*	Short Term	7.50	IVR A2+	IVR A2+	-	-
4.	Short Term Non Fund Based Limits – Letter of Credit*	Short Term	42.50	IVR A2+	IVR A2+		
5.	Fixed Deposit	Long Term	0.70	IVR FA-/Stable	IVR FA-/Stable		

*Over all ceiling of Rs 150 crore for NFBL and Cash Credit facility.

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.

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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 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.

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 Facility- Term Loan	-	-	July 2024	53.17	IVR A-/Stable
Long Term Bank Facility- Cash Credit*	-	-	-	125	IVR A-/Stable
Short Term Bank Facilities – Bank Guarantee*	-	-	-	7.50	IVR A2+
Short Term Bank Facilities – Letter of Credit*	-	-	-	42.50	IVR A2+
Fixed Deposit	-	-	-	0.70	IVR FA-/Stable

*Over all ceiling of Rs 150 crore for NFBL and Cash Credit facility.