



## Press Release

### Regaal Resources Pvt Ltd

January 21, 2021

#### Rating

Sl. No.	Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Long Term Bank Facilities	115.00	IVR BBB- [CE]; Stable (IVR Triple B Minus [Credit Enhancement] with Stable Outlook) *	Reaffirmed
	<b>Total</b>	<b>115.00</b> <b>(Rs One Hundred and Fifteen crore only)</b>		

*\*CE Rating based on shortfall undertaking from BMW Ventures Limited*

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the above bank facilities of Regaal Resources Pvt Ltd (RRPL) continues to derive strength from the shortfall undertaking from BMW Ventures Limited (BVL) wherein BVL undertake to infuse additional funds in the form of unsecured loan whenever required to meet the interest and loan repayment obligation for the bank facilities sought by RRPL. This undertaking results in an enhancement in the rating of the said instruments to **IVR BBB- (CE)/Stable (IVR Triple B Minus [Credit Enhancement] with Stable Outlook) against the unsupported rating of IVR BB+/Stable (IVR Double B Plus with Stable Outlook)**. Further, the rating also continues to derive strength from its experienced promoters, sharp improvement in the scale of operations of RRPL and healthy cash generation by the company leading to improvement in debt protection metrics in FY20, strong financial support from BMW Ventures Limited having satisfactory credit profile, advantages arising from its location which is in proximity to maize cultivating regions, reputed customer base and adequate demand of the manufactured products. However, these rating strengths are partially offset by its limited operational track record, profit margins remain exposed to raw material price movement; intense competition in the industry and ongoing project stabilization risk.



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### Rating Sensitivities

#### **Upward factors**

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals
- Improvement in capital structure with TOL/TNW improved below 3x on a sustained basis
- Improvement in financial risk profile of the shortfall undertaking provider

#### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt protection metrics with deterioration in the interest coverage ratio to below 3x on a sustained basis
- Deterioration in the capital structure with TOL/TNW gone above 4x on a sustained basis
- Deterioration in working capital management affecting the liquidity.
- Deterioration in financial risk profile of the shortfall undertaking provider

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

- **Experienced promoters**

The promoters, Kishorepuria family has over four decades of experience in the iron and steel trading business and has vast business experience. Other group companies of RRPL is engaged in various business streams like, Iron and Steel trading, Agricultural tools and equipment trading, steel fabrication, logistics and dealership of Tractor and accessories.

- **Steady growth in scale of operations with moderate financial risk profile**

FY19 is the first year of operation of the company where commercial production started from September 2019. In its first full year of operation in FY20, the company has achieved a total operating income of Rs.226.57 crore with a satisfactory EBITDA margin of 9.26%. Further, RRPL has also turned profitable and ended-up with net profit of Rs.9.15 crore with PAT margin of 4.04% in FY20. Leverage ratios, though continued to remain high, have improved driven by repayment of term loans and accretion of profit to reserve. Interest coverage ratio has also improved to 3.20x during FY20. Current ratio was remained satisfactory as on March 31, 2020. Operating cycle has improved to 50 days in FY20 from 126 days in FY19



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with the improvement in inventory period and adequate debtor's management. In 9MFY21, the company has achieved a revenue of ~Rs.153 crore.

- **Strong financial support from sister concern BMW Ventures Limited having satisfactory credit profile**

BVL, the sister concern of RRPL, has extended shortfall undertaking for the bank facilities availed by RRPL. BVL has achieved a turnover of ~Rs.1130 crore in FY20 with a strong financial risk profile. Going forward, Infomerics believes timely, need based financial support will also be extended by BVL, in case of pressure on cash flows of RRPL.

- **Advantages arising from its location which is in proximity to maize cultivating regions**

Maize is the primary raw material required by the company. The company's manufacturing unit lies in proximity to key maize cultivating regions in Bihar which ensures uninterrupted supply of raw materials and reduced raw material costs.

- **Reputed customer base**

The company has a diversified customer base with it being a supplier for a host of established players in industries such as FMCG, etc. The customer base of the company includes several reputed players such as Emami, ITC among other players.

- **Adequate demand of the manufactured products**

The demand of starch and other related products are high within the country. India is the net importer of starch as the domestic supply doesn't meet the demand in India. The company currently produces neutral starch which has application in industries like - textile, processed foods, pharmaceuticals, chemical, paper etc. On the other hand, Gluten is a high protein supplement uses for poultry feeds. Corn fibre uses of manufacturing cattle feeds and Germ are widely used to extract germ oil which has application in food industries.

### **Key Rating Weaknesses**

- **Limited operational track record**

With operations commencing in September 2018, the company is in its initial stage of operations. However, despite its short track record the company has achieved considerable growth in its turnover.



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- **Margins remain exposed to raw material price movement; intense competition in the industry**

Being an agro commodity, maize prices fluctuate in accordance with the demand and supply scenario, the monsoons and other agro-climatic conditions, as well as Government regulations prevalent in the industry. Apart, the company faces stiff competition from the other established players as well as small manufacturers in the industry, which limits its pricing flexibility and bargaining power with customers.

- **Project risk**

Though the main operation has been started from September 2018, the company has planned to implement few capex plans within the existing premises like enhancement in capacity by installing additional machinery to increase the production from 250TPD to 400TPD by FY22. The capex plan is mainly driven by high demand of its products. Apart from this, the company is also planning for expansion of finished goods stockyard, installation of another 2.8MW turbine for additional power requirements, expansion of existing Affluent Treatment Plant and installation of 10,000MT Silo for storing of raw materials. Envisaged cost of said projects is around Rs.65.74 crore to be funded by infusion of capital of around Rs.13.00 crore, Bank finance of Rs. 38.00 crore and Unsecured loan from promoters of Rs.14.00 crore and internal accrual Rs.0.74 crore. However, financial closer is yet to be achieved. Till November 2020, the company has expensed Rs.21.65 crore through capital infusion and unsecured loans infused by the promoters. The project is expected to be completed by September 2021.

### **Analytical Approach:**

**Credit Enhancement (CE) rating:** Assessment of the credit profile of BMW Ventures Limited (BVL), provider of an unconditional and irrevocable shortfall undertaking provided to Infomerics stating that any shortfall in servicing of debt obligation by RRPL will be taken care by BVL.

**Unsupported rating:** Standalone



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### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Rating Methodology for Trading Companies

Rating Methodology for Structure Debt Transaction (Non-Securitisation Transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

The liquidity position of the company is expected to remain adequate in the near term marked by its expected adequate cash accruals as against its debt repayment obligations. The company is expecting to generate cash accruals to the tune of ~Rs.10-27 crore as against its debt repayment obligations of ~Rs.3-10 crore during FY21-23. However, the average utilisation of bank borrowings was remained high at ~94% during the past 12 months ended in December, 2020 indicating a low liquidity buffer.

### **About the company**

Incorporated in 2012, Regaal Resources Pvt Ltd (RRPL) is promoted by the Kishorepuria family and is involved in manufacturing of maize based starch which finds applications in textile, processed foods, pharmaceuticals, chemical, paper and other industries. The manufacturing facility of the company is located at Kishanganj district in Bihar and has a total installed capacity of 250 tonnes per day (TPD). Apart from maize based starch, the company is also in manufacturing of other by-products of Maize processing, like Gluten, Fibre and Germ (together contributing about 32% of total production). The company also has a 1.3MW captive power plant within the premises of the manufacturing unit.

RRPL is a part of the BMW Group having other group companies like, BMW Ventures Limited, BMW Logistics, BMW Enterprises etc. which are engaged in various business streams like, Iron and Steel trading, Agricultural tools and equipment trading, steel fabrication, logistics and dealership of Tractor and accessories.

The day-to-day operations of the company are looking after by Mr. Anil Kishorepuria, Managing Director, along with other two directors and a team of experienced personnel.





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### Financials of RRPL (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	<b>Audited</b>	<b>Audited</b>
Total Income	45.05	226.57
EBITDA	5.93	20.98
PAT	-1.86	9.15
Total Debt	99.78	102.70
Tangible Net worth	24.51	33.66
EBITDA Margin (%)	13.15	9.26
PAT Margin (%)	13.15	9.26
Overall Gearing Ratio (x)	4.07	3.05

\*Classification as per Infomerics' standards.

### About BMW Ventures Limited

BVL, incorporated in October 1994 in Patna (Bihar), is a part of the BMW group formed by one Kishorepuria family of Patna, under the leadership of Mr. Bijay Kumar Kishorepuria, having more than four decades of experience in the iron and steel industry.

BVL is primarily engaged in distribution of long and flat steel products of TATA Steel Limited and sole distributor since last 35 years in Bihar. This apart, the company has taken dealership of Sonalika Tractors for Patna area. BVL is the flagship company of BMW group. Currently, Mr. Bijay Kumar Kishorepuria (Managing Director) along with other six directors, who have more than two decades of experience in the iron and steel industry, are at the helm of affairs of the company and ably supported by experienced professionals.

### Financials of BVL (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	1108.66	1133.24
EBITDA	32.96	36.42
PAT	12.57	14.86
Total Debt	131.75	161.95
Tangible Net worth	60.15	75.01
EBITDA Margin (%)	2.97	3.21
PAT Margin (%)	1.13	1.31
Overall Gearing Ratio (x)	2.19	2.16

\*Classification as per Infomerics' standards



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**Status of non-cooperation with previous CRA:** Issuer Not Cooperating from ACUITE as per PR dated January 13, 2020 due to non-submission of information.

**Any other information:** Nil

### Rating History for last three years:

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.	Cash Credit	Long Term	30.00	IVR BBB-(CE) /Stable*	IVR BBB-(CE) /Stable* (Jan 03, 2020)	-	-
2.	Term Loan	Long Term	85.00	IVR BBB-(CE) /Stable*	IVR BBB-(CE) /Stable* (Jan 03, 2020)	-	-

\* CE rating based on shortfall undertaking of BMW Ventures Limited

**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 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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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 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 Limits - Cash Credit (including proposed cash credit of Rs.16 crore)	-	-	-	30.00	IVR BBB-(CE) /Stable*
Long Term Fund Based Limits – Term Loan (including proposed term loan of Rs.38 crore)	-	-	March 2027	85.00	IVR BBB-(CE) /Stable*

\* CE rating based on shortfall undertaking from BMW Ventures Limited