

Rating Rationale

August 07, 2023 | Mumbai

Belrise Industries Limited

Rating outlook revised to 'Positive'; Ratings reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.2550 Crore
Long Term Rating	CRISIL A/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)
Short Term Rating	CRISIL A1 (Reaffirmed)

Rs.300 Crore Non Convertible Debentures	CRISIL A/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)
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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised its outlook on the long-term bank facilities and non-convertible debentures (NCDs) of Belrise Industries Limited (BIL) to **'Positive'** from 'Stable' while reaffirming the rating at **'CRISIL A'**. The short term rating is reaffirmed at 'CRISIL A1'. The rating on NCD worth Rs 160 crore (see 'Annexure: Details of Rating Withdrawn' for details) has been **withdrawn**, as the instrument has been fully redeemed. CRISIL Ratings has received confirmation of redemption from the trustee. The action is in line with CRISIL Ratings' policy on withdrawal of ratings

The outlook revision reflects the expected improvement in the overall credit risk profile of the group supported by improving scale of operations, healthy operating margins and improving capital structure. While revenues are estimated to increase to around Rs. 6880-6890 crore in fiscal 2023 as compared to Rs. 5610 crore in fiscal 2022, operating margins are also estimated to remain healthy at 21-25% over the past three years ending fiscal 2023. The group is expected to sustain its scale over the medium term supported by healthy report orders and continued addition of customers as well as product basket. Consequently, financial risk profile has also improved marked by improving networth expected at around Rs. 3680-3690 crore as on March 31, 2023 as compared to Rs. 2964 crore a year ago. This coupled with stable debt levels has further led to improvement in the capital structure with total outside liabilities to adjusted networth (TOLANW) reducing to around 1.6-1.65 times as on March 31, 2023 as compared to 2.03 times as year ago.

Sustained growth in scale of operations with controlled debt levels leading to improved financial risk profile would be a key monitorable over the medium term

The ratings continue to reflect the group's market leadership in the two- and three-wheeler auto component business, longstanding relationships with large original equipment manufacturers, increasing product diversity, moderate working capital management and comfortable financial risk profile. These strengths are partially offset by customer concentration in revenue and exposure to cyclical in the domestic automobile (auto) industry.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of BIL with Badve Autotech Pvt Ltd (BATPL), Badve Autocomp Pvt Ltd (BAPL), Sumedh Tools Pvt Ltd (STPL), Creative Tools & Press Components Pvt Ltd (CTPL), Swastid Engineering Pvt Ltd (SEPL), Eximius Autocomps Pvt Ltd (EAPL), Eximius Infratech Solutions LLP (EIS LLP), Badve Engineering Trading FZE (FZE) and Swami Ashirwad Engimech Pvt Ltd (SAEPL), Optima Auto Products Private Limited (OAPPL) and Fenace Auto Limited (FAL) collectively referred to as the Badve group. This is because the entities have a common promoter, are in the same business, and have significant operational, managerial and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Established position in the auto components industry

Around three decades ago, the Badve group started by manufacturing small auto components, predominantly for Bajaj Auto Ltd (BAL; 'CRISIL AAA/Stable/CRISIL A1+'). Currently, Badve group is among the leading suppliers in the auto components sector. The group has developed a diversified product portfolio, which includes chassis for two-wheelers, three-wheeler chassis, silencers & components, and plastic molded as well as metal-pressed and painted components. This has helped revenues to increase by a CAGR of around 54% over the past four fiscals ended 2023. The growth momentum is expected

to continue with addition in new clients (EV), and optimization of capacity utilization at some of the recently commissioned units in the group.

Established customer relationship

The group has an established & diversified customer base and a long track record of business relationships with its key customers, which include automotive OEMs. The group is the key supplier of auto components to Bajaj Auto Ltd (BAL), Honda Motorcycle and Scooter India Pvt Ltd (HMSIL), Hero MotoCorp Ltd ('CRISIL AAA/Stable/CRISIL A1+'), Tata Motors Ltd ('CRISIL AA-/Stable/CRISIL A1+'), Exide Industries Ltd, LG Electronics India Pvt Ltd, Piaggio Vehicles Pvt Ltd and Jaguar Land Rover Ltd.

Moderate working capital management:

The working capital cycle is moderate, as reflected in gross current assets (GCAs) of 150-155 days for BEL on standalone basis, and 210-215 days at group level as on March 31, 2023. This is driven by debtors of around 60-70 days and inventory of around 55-65 days. The group offers credit of 45-60 days to its key customers and maintains low inventory as production is order backed and raw material is easily available. Furthermore, the group is entitled for Mega Project benefits (State Government Subsidies) in various states for the capital investments done in the Projects. There have been delays in receiving the subsidy which has also led to an increase in the working capital cycle for the group. Working capital cycle is expected to remain moderate over the medium term.

Strong financial risk profile:

Network has been improving and is estimated to be strong at Rs. 3680-3690 crore as on March 31, 2023, as compared to Rs. 2964 crore a year ago. This coupled with stable debt levels has further led to improvement in the capital structure with gearing and total outside liabilities to adjusted network (TOLANW) estimated to reduce to around 1.2 times and 1.6-1.65 times as on March 31, 2023, respectively as compared to 1.7 times and 2.03 times respectively a year ago. The capital structure is expected to remain strong marked by controlled reliance on external debt to support working capital requirement and no major debt funded capex. Debt protection metrics were adequate, reflected in interest coverage and net cash accrual to total debt ratios at around 3.8 times and 0.3 times, respectively, for fiscal 2023 (as compared to 3.4 times and 0.2 times respectively in fiscal 2022). The Badve group management is committed to improve its capital structure through a mix of equity and subsidy receipts that would be utilized to reduce the bank borrowings.

Weaknesses:

Exposure to cyclicity in the domestic auto industry:

The auto industry accounts for the entire revenue of the group. The performance of the auto industry is linked to financing costs and overall macroeconomic scenario. The group will remain susceptible to cyclicity in the auto industry over the medium term.

Customer concentration in revenue:

The Badve group generates over 75% of its revenue from three customers, BAL (around 55%), HMSIL (around 13%) and Hero MotoCorp Ltd (19%), which makes it vulnerable to downturns in the customers' business or vendor rationalization. Although the group has diversified its clientele, it will remain highly dependent on BAL over the medium term.

Liquidity: Strong

Expected cash accrual of Rs 1200-1400 crores per annum in fiscals 2024 and 2025 will comfortably cover debt obligation of Rs 540 crore and Rs 575 crores, respectively. Cash and cash equivalent are estimated at Rs 150-160 crore as on March 31, 2023. Fund-based limits remained utilised to the extent of 81% for 12 months ended May 2023. The promoter will continue to provide financial support by way of unsecured loans. CRISIL expects internal accruals, cash & cash equivalents, fund support from promoters and unutilized bank lines to be sufficient to meet its repayment obligations as well as incremental working capital requirements.

Outlook: Positive

CRISIL Ratings believes the credit profile of Badve group is expected to improve with controlled debt levels while scale of operations continues to grow steadily backed by the extensive experience of the promoter, established customer relationships and diversified product portfolio.

Rating Sensitivity factors

Upward factors

- Improvement in the financial risk profile, with sustained gearing below 1 time and TOLANW ratio below 1.25 times
- Steady revenue growth and stable operating margins, further strengthening business risk profile

Downward factors

- Stretch in working capital cycle or major debt funded capex leading to weakening of financial risk profile with gearing sustained above 1.75 times
- Significant decline in revenue (beyond 20%) or profitability or further delay in subsidy receipts impacting overall liquidity.

About the Group

Mr. Shrikant Badve, promoter of the Badve group, set up the flagship company of the Badve Group 'BEL' in September 1996. The Badve Group is engaged in the manufacture of chassis and frame assembly, sheet metal, exhaust systems (silencers), plastic moulded & painted parts and assemblies mainly for the auto and consumer durables segment. The group has more than 30 manufacturing units across India.

BIL, is engaged in manufacturing of automobile components for various customers including Bajaj Auto, HMSI, Hero Motocorp, etc.

Key Financial Indicators (Consolidated)

As on / for the period ended March 31		2022	2021
Operating income	Rs crore	5,610.00	4,435.00
Reported profit after tax	Rs crore	486	250
PAT margins	%	8.7	5.6
Adjusted Debt/Adjusted Net worth	Times	1.63	1.91
Interest coverage	Times	3.39	2.89

(Standalone)

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	5,399.00	4,901.00
Reported profit after tax	Rs crore	271	247
PAT margins	%	5	5
Adjusted Debt/Adjusted Net worth	Times	1.15	1.52
Interest coverage	Times	3.86	3.5

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Channel Financing	NA	NA	NA	50	NA	CRISIL A/Positive
NA	Channel Financing	NA	NA	NA	70	NA	CRISIL A1
NA	Cash credit	NA	NA	NA	596.96	NA	CRISIL A/Positive
NA	Bill discounting	NA	NA	NA	79.54	NA	CRISIL A/Positive
NA	Proposed Term Loan	NA	NA	NA	351.29	NA	CRISIL A/Positive
NA	Bank Guarantee	NA	NA	NA	171.64	NA	CRISIL A1
NA	Letter of Credit	NA	NA	NA	20	NA	CRISIL A1
NA	Term Loan	NA	NA	30-Sep-28	1210.57	NA	CRISIL A/Positive
NA	Non convertible Debentures*	NA	NA	NA	40	Simple	CRISIL A/Positive
INE894V07052	Non convertible Debentures	30-Aug-21	9.50%	29-Aug-24	50	Simple	CRISIL A/Positive
INE894V07045	Non convertible Debentures	24-Dec-21	9.50%	23-Dec-24	50	Simple	CRISIL A/Positive

*not yet issued

Annexure - Details of Rating Withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
INE894V07011	Non convertible Debentures	29-May-20	9.50%	28-May-23	60	Simple	Withdrawn
INE894V07029	Non convertible Debentures	3-Jun-20	9.50%	2-Jun-23	50	Simple	Withdrawn
INE894V07037	Non convertible Debentures	3-Jun-20	9.50%	2-Jun-23	50	Simple	Withdrawn

Annexure - List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Belrise Industries Limited	Full	Operate in similar lines of business, have a common management team, and have significant operational linkages
Badve Autocomps Private Limited	Full	
Badve Autotech Private Limited	Full	
Badve Engineering Trading FZE	Full	
Optima Auto Products Private Limited	Full	
Fenace Auto Limited	Full	
Creative Tools and Press Components Private Limited	Full	
Eximius Autocomps Private Limited	Full	
Eximius Infra Tech Solutions LLP	Full	

Sumedh Tools Private Limited	Full
Swastid Engineering Private Limited	Full
Swami Ashirwad Engimech Private Limited	Full

Annexure - Rating History for last 3 Years

Current				2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	2358.36	CRISIL A/Positive / CRISIL A1	18-04-23	CRISIL A1 / CRISIL A/Stable	10-08-22	CRISIL A1 / CRISIL A/Stable	11-08-21	CRISIL A1 / CRISIL A/Stable	14-07-20	CRISIL A1 / CRISIL A/Stable	Suspended
			--		--		--	03-06-21	CRISIL A1 / CRISIL A/Stable	07-07-20	CRISIL A1 / CRISIL A/Stable	--
			--		--		--	05-05-21	CRISIL A1 / CRISIL A/Stable	24-04-20	CRISIL A1 / CRISIL A/Stable	--
			--		--		--		--	29-02-20	CRISIL A1 / CRISIL A/Stable	--
			--		--		--		--	27-01-20	CRISIL A1 / CRISIL A/Stable	--
			--		--		--		--	06-01-20	CRISIL A1 / CRISIL A/Stable	--
Non-Fund Based Facilities	ST	191.64	CRISIL A1	18-04-23	CRISIL A1	10-08-22	CRISIL A1	11-08-21	CRISIL A1	14-07-20	CRISIL A1	Suspended
			--		--		--	03-06-21	CRISIL A1	07-07-20	CRISIL A1	--
			--		--		--	05-05-21	CRISIL A1	24-04-20	CRISIL A1	--
			--		--		--		--	29-02-20	CRISIL A1	--
Non Convertible Debentures	LT	300.0	CRISIL A/Positive	18-04-23	CRISIL A/Stable	10-08-22	CRISIL A/Stable	11-08-21	CRISIL A/Stable	14-07-20	CRISIL A/Stable	--
			--		--		--	03-06-21	CRISIL A/Stable	07-07-20	CRISIL A/Stable	--
			--		--		--	05-05-21	CRISIL A/Stable	24-04-20	CRISIL A/Stable	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	18.11	Union Bank of India	CRISIL A1
Bank Guarantee	153.53	Indian Bank	CRISIL A1
Bill Discounting	4.54	The Saraswat Co-Operative Bank Limited	CRISIL A1
Bill Discounting	60	Indian Bank	CRISIL A1
Bill Discounting	15	Bank of India	CRISIL A1
Cash Credit	20	IndusInd Bank Limited	CRISIL A/Positive
Cash Credit	294	State Bank of India	CRISIL A/Positive
Cash Credit	25	Union Bank of India	CRISIL A/Positive
Cash Credit	15	The Karnataka Bank Limited	CRISIL A/Positive
Cash Credit	10	Bank of India	CRISIL A/Positive
Cash Credit	110	Punjab and Sind Bank	CRISIL A/Positive
Cash Credit	16	Punjab National Bank	CRISIL A/Positive
Cash Credit	20	CSB Bank Limited	CRISIL A/Positive
Cash Credit	25.5	Indian Bank	CRISIL A/Positive
Cash Credit	10.46	The Saraswat Co-	CRISIL A/Positive

		Operative Bank Limited	
Cash Credit	20	Bank of Baroda	CRISIL A/Positive
Cash Credit	6	Bank of Maharashtra	CRISIL A/Positive
Cash Credit	25	Central Bank Of India	CRISIL A/Positive
Channel Financing	70	Bank of Maharashtra	CRISIL A1
Channel Financing	50	Bank of Baroda	CRISIL A/Positive
Letter of Credit	10	State Bank of India	CRISIL A1
Letter of Credit	10	Union Bank of India	CRISIL A1
Proposed Term Loan	351.29	Not Applicable	CRISIL A/Positive
Term Loan	42.5	The Saraswat Co-Operative Bank Limited	CRISIL A/Positive
Term Loan	31.62	Punjab National Bank	CRISIL A/Positive
Term Loan	79.08	Indian Overseas Bank	CRISIL A/Positive
Term Loan	240.28	State Bank of India	CRISIL A/Positive
Term Loan	45.48	Bank of Bahrain and Kuwait B.S.C.	CRISIL A/Positive
Term Loan	45.78	Bandhan Bank Limited	CRISIL A/Positive
Term Loan	62.2	Union Bank of India	CRISIL A/Positive
Term Loan	8.32	IDBI Bank Limited	CRISIL A/Positive
Term Loan	151	Bank of Baroda	CRISIL A/Positive
Term Loan	13.63	Hero FinCorp Limited	CRISIL A/Positive
Term Loan	35.76	The Karnataka Bank Limited	CRISIL A/Positive
Term Loan	51.82	IndusInd Bank Limited	CRISIL A/Positive
Term Loan	57.26	CSB Bank Limited	CRISIL A/Positive
Term Loan	45.14	Punjab and Sind Bank	CRISIL A/Positive
Term Loan	43.92	Indian Bank	CRISIL A/Positive
Term Loan	109.5	Bank of India	CRISIL A/Positive
Term Loan	81.64	Bank of Maharashtra	CRISIL A/Positive
Term Loan	65.64	Central Bank Of India	CRISIL A/Positive

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Auto Component Suppliers
Criteria for rating entities belonging to homogenous groups
CRISILs Criteria for rating short term debt

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