

Bachmann Industries India Ltd.

Brickwork Ratings reaffirms the long term and the short term rating for the long term and short term facilities of Rs. 31.37 Crores of Bachmann Industries India Ltd.

PARTICULARS

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sept, 2019)	Present
Fund based	14.00	16.37	Long Term	BWR BB-Stable (Assigned)	BWR BB-Stable (Reaffirm)
Non Fund Based	15.00	15.00	Short Term	BWR A4+ (Assigned)	BWR A4+ (Reaffirm)
Total	29.00	31.37	INR Thirty One Crores and Thirty Seven Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

**Complete details of Bank facilities is provided in Annexure-I & II

RATINGS: Reaffirmed

RATING ACTION / OUTLOOK

The Rating Outlook is Stable because BWR expects that ‘Bachmann Industries India Limited’ financial risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to ‘Positive’ in case the revenues and profit show sustained improvement. The rating outlook may be revised to ‘Negative’ if the revenues go down and profit margins show lower than expected figures

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED- NA

KEY RATING DIVERS:

BWR has primarily relied upon the audited financials up-to FY20 and projected financials up-to FY22, publicly available information and the information/clarifications provided by the management.

The reaffirmation of the rating has factored the stable and steady financial parameters of the company. The rating also factored the strength from the established presence of the company, extensive experience of the promoters, and established relationship with customers and suppliers. However, the ratings are constrained by unstable revenues, moderate profitability, stretched

gearing and average debt protection metrics and intense competition in the market and working capital intensive nature of operations.

DESCRIPTION OF KEY RATING DRIVERS

Credit Strengths:

- **Extensive experience of management and reputed clientele:** The management of the company is well qualified and holds more than three decades of experience in the engineering and capital goods industry. Their knowledge and experience have helped them in maintaining a long-term relationship with their clients like Bharat Heavy Electricals Ltd, NTPC Ltd, and Reliance Utilities and Power Pvt Ltd, who have less default risk which strengthens its business risk profile over the medium term.
- **Improved Net- worth:** The net worth of the company is satisfactory at 12.09 Crs in FY20 due to retention of profits. The analyzed net- worth of the company is Rs. 14.23 crores in FY 20 due to unsecured loans from promoters and related parties.
- **Technical support from Senior PLC:** Technical collaboration with the Senior Plc group, primarily in product design, helps the company get an edge over competitors in procuring new orders and thus sustain growth in operating income. The group also specialises in similar products. Bachmann India's strong product profile has helped it to win customers' confidence.

Risk Factors:

- **Instability in revenue and profitability:** The operating income of the company declined by 12% approx. from Rs. 39.05 Crores in FY19 to Rs. 34.20 Crores in FY20 due to the sudden lockdown in the mid of March 2020, due to which the sales and payment of Rs. 8-10 Crores of the co. was hampered. Also, the entire business is tender-based, which exposes revenue to flow of orders. The operating and the net profit margin of the co. decreased marginally from 10.14% & 2.80% in FY 19 to 10.05% & 2.39% in FY 20. However, the company has achieved revenue of Rs. 21 Crores till date for FY 21 and is expecting to reach approximately Rs. 40 crores as per the management of the company.
- **Stretched Gearing and average debt protection metrics:** The Gearing of the co. is stretched as Total Debt/TNW and TOL/TNW is 2.03x & 2.61x in FY20. The debt protection metrics of the company are low as ISCR & DSCR stand at 1.48x and 0.80x in FY20 against 1.44x & 0.86x in FY 19.
- **Elongated Conversion Cycle:** Conversion Cycle is high at 251 days in FY 20. The average collection period is 182 days, Inventory days of finished goods is 227 days and days payable is 158 days in FY20. The conversion cycle is high due to high inventory days which is expected to be maintained due to the time taken for the raw materials to process into finished goods as the co. deals in the manufacturing of capital goods used in thermal plants which has a higher time period for processing raw materials to finished goods. Moreover, the co. deals with some of the government companies like NTPC, BHEL, etc. who have an average credit period of 4-5 months.
- . However the company is also able to get credit from the suppliers almost similar to the credit it expends to its customers.
- **Competition in the Industry:** The company faces intense competition from many



organized and unorganized players in the market and limiting the pricing power resulting in low profitability. The business operations are also working capital intensive in nature.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the company to further increase its scale of operations by improving its revenue, profitability margins and financial risk profile, as usual maintaining its debt obligations and efficiently managing its working capital will be the key rating sensitivities.

Positive: The ratings may be upgraded if revenue, profitability, liquidity, gearing and overall credit profile show substantial improvement.

Negative: The rating may be downgraded in case there is a significant deterioration in business and financial risk profile of the company from its current level.

LIQUIDITY POSITION: Adequate

The Company has Cash & Bank balance of INR 0.30 Cr in FY20. The bank balance is projected to be INR 0.35 Crs in FY 21. The long term borrowings of INR 11.86 crores in FY20 which represents secured loans of Rs.0.32 Cr and unsecured loans from directors/ promoters and other companies of Rs. 11.52 Crores. The Debt protection metrics of the company are low in FY20 as ISCR & DSCR stand at 1.48x & 0.80x in FY 20. The CC utilization of the last 6 months is approximately 60%. The current ratio of the company is 2.03x in FY20 which is above the industry average. The Company has a high conversion cycle of 251 days in FY20. Net cash accruals/ total debt is low at 0.04x in FY20. Also, the average utilization in the CC account is approximately Rs. 60% against a sanctioned limit of Rs. 14.00 Crs., indicating the availability of funds to meet any unforeseen short term requirement. Hence, Overall liquidity is adequate.

COMPANY PROFILE

Bachmann Industries India Ltd was established as a public limited company in 1987 as a 60:40 joint venture between Mr. S M Maheshwari and Bachmann Industries Inc (Bachmann USA). The company is engaged in the business of manufacturing flue gas control, isolation equipment, DG sets, control panels, pipings, dampers, glandular valves/ spades and other engineering products majorly used in the power plants. It has one plant each in Faridabad (Haryana) and Chennai. They are certified to the ISO 9001:2008 standard. Its business operations are majorly managed by Mr. Rajesh Maheshwari, son of Mr. S M Maheshwari.

Bachmann USA was subsequently acquired by US-based Wahlco- Metroflex Inc (Wahlco), which is now part of the Senior Plc group. Wahlco provides original technical inputs for product design and supply like isolation and flow control dampers, expansion joints and related duct systems. Senior Plc, headquartered in Hertfordshire in the UK, is the holding company for firms in the manufacturing and engineering sectors.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	2020	2019
Result Type		Audited	Audited
Operating Revenue	In Crores	34.20	39.05
EBITDA	In Crores	3.44	3.96
PAT	In Crores	0.82	1.09
Tangible Net worth	In Crores	12.09	11.27
Total Debt/Tangible Net worth	In Times	2.03	2.42
Current Ratio	In Times	2.03	1.85

NON-COOPERATION WITH PREVIOUS RATING, IF ANY- CRISIL B+/ A4 stable under issuer not cooperating on 12 June, 2020 for Rs. 20 Crores.

RATING HISTORY for last three years (including withdrawn/suspended ratings)

Instrument /Facility	Current Rating			Rating History		
	Type	Amount (Rs. Cr)	Rating	2020	18.09.2019	2018
Fund Based	Long term	16.37	BWR BB- Stable Reaffirm	---	BWR BB Stable Assigned	---
Non Fund Based	Short Term	15.00	BWR A4 Reaffirm	---	BWR A4 Assigned	---
Total		31.37	INR Thirty One Crores and Thirty Seven Lakhs Only			

*RNR on 21.09.2020.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	
Muskan Agrawal Rating Analyst muskan.a@brickworkratings.com	Satvinder Kumar Gakhar Assoc. Director – Ratings Satvinder.g@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

Bachmann Industries India Ltd.
ANNEXURE I

Details of Bank Facilities rated by BWR

Type of Facilities	Long Term [Rs Cr]	Short Term [Rs Cr]	Total [Rs Cr]
Fund Based			
Cash Credit cum ODBD	14.00		14.00
Covid 19- GECL	2.37	--	2.37
Non Fund Based			
Letter of Credit (ILC/FLC)	--	1.00	1.00
Bank Guarantee- Financial		4.00	4.00
Bank Guarantee- Performance		10.00	10.00
TOTAL			31.37

Total Rupees Thirty One Crores and Thirty Seven Lakhs Only



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

ABOUT BRICKWORK RATINGS

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments.

BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA). BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "**BWR Party**") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of



any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited. BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.