Bhilosa Industries Private Limited

March 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,854.74 (Reduced from 3,157.17)	CARE AA-; Stable	Reaffirmed
Short-term bank facilities	1,666.00 (Enhanced from 1,366.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Bhilosa Industries Private Limited (BIPL) continue to derive strength from the extensive experience of the promoters in the polyester filament yarn (PFY) industry, strong operational performance on the back of integrated operations across the PFY value-chain, and efficient working capital cycle. Backward integration translates into cost synergies and economies of scale, collectively resulting in comfortable operating profit margins.

The rating strengths are, however, tempered by the susceptibility to volatility in the prices of raw materials and forex rates and the high competition from both, organised and unorganised players in the sector. CARE Ratings Limited (CARE Ratings) also notes the damage caused by the fire to the company's plant and machinery as well as inventory. The quantum and receipt of insurance settlement as envisaged will remain a key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in overall gearing (including acceptances) to below 0.50x on a sustained basis.

Negative factors

- Deterioration of overall gearing (including acceptances) to 1.00x on account of debt-funded capex and/or increase in the working capital requirements.
- Reduction in the PBILDT margin below 10% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The company is expected to sustain its strong financial risk profile amidst healthy cash flow generation from operations due to its integrated scale of operations and strong cash and bank balances shall support its robust liquidity profile.

Key strengths

Experienced promoters having demonstrated financial support

BIPL is promoted by Rameshchandra T Jain, Chairman and Managing Director, who belongs to a family of textile entrepreneurs and has more than five decades of experience in the PFY industry. Under his leadership, over the years, the company has continuously expanded its capacities and has emerged as one of the leading players in the PFY industry. He is assisted by his sons, Kumarpal Jain and Sandeep Jain, who have significant experience in the PFY industry.

Strong business profile; increasing scale of operations

BIPL has emerged as one of the leading players in the PFY industry through continuous backward and forward capacity expansion undertaken during recent years. BIPL has a presence across the value chain and its range of product mix helps it maintain its position as one of the leading players in the industry. The growth in volume off-take by around 21% to 841,119 MT and blended realisations by around 27% on account of the increase in the raw material prices led to a significant growth in BIPL's revenues in FY22. The company reported a total operating income (TOI) of ₹9,126.54 crore in FY22 as against ₹5,904.37 crore in FY21. Subsequently, the company's PBILDT increased by 48.82% to ₹1,758.50 crore on account of increase in the scale of operations despite marginal decline in the operating margins to 19.27% in FY22 as against 20.01% in FY21 on account of increase in the

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

raw material prices by around 46%. During H1FY23, the company has reported a total income of ₹6,050.20 crore and an estimated profit before tax (PBT) of ₹541.51 crore.

Large customer base
The company caters to a large number of clients, and as a result, its customer base is spread across geographies. In FY22, the company exported to over 30 countries, which contributed to around 9% of the total sales. In H1FY23, exports contribution continues to be around 9% of the total sales. BIPL's top 10 domestic customers contributed 16.49% of the total gross sales in FY22 (PY: 15.96%). Given the large customer base, the company is relatively insulated from the customer risk as well as geographical concentration risk.

Robust operating cycle
The operating cycle improved to 13 days in FY22 (36 days in FY21) and continues to be robust. BIPL has a comfortable working capital cycle, with its gross current asset days around 116 days in FY22 (145 days in FY21). An average inventory of around 45-60 days is maintained, as the company stocks everything – pure terephthalic acid (PTA), mono-ethylene glycol (MEG), partially-oriented yarn (POY), as well as imports PTA and MEG. The average inventory days improved to 43 days in FY22 (66 days in FY21) on account of improved demand in FY22. Furthermore, the average collection period improved to 29 days in FY22 from 46 days in FY21. The company procures its raw materials – PTA and MEG – from Reliance Industries Limited on a nearly cash basis or against a bank guarantee (BG) and its imports are backed by a letter of credit (LC). The average utilisation of fund-based and non-fund-based utilisation for the last 12-months ended January 2023 was at 85.41%.

Strong financial risk profile
BIPL's financial risk profile is characterised by strong capital structure and debt coverage indicators. On account of the scheduled debt repayments, prepayment of debt, and accretion to reserves, the overall gearing improved to 0.60x as on March 31, 2022, as against 0.66x as on March 31, 2021. Consequently, the total debt to PBILDT and total debt to gross cash accruals (GCA) also improved to 1.56x and 2.07x, respectively, as on March 31, 2022, as against 2.04x and 2.70x, respectively, as on March 31, 2021. The interest coverage ratio also improved to 39.95x in FY21, as against 11.94x in FY22. However, during H1FY23, the total debt to PBILDT and total debt to GCA deteriorated to 2.36x and 3.03x, respectively, primarily on account of higher LC acceptances as on September 30, 2022.

Key weaknesses
Loss by fire
On March 23, 2020, a fire had broken out at the company's old POY/FDY plant in Naroli, damaging the fixed assets and inventories. On account of the damages, the building value was written down by ₹59.21 crore, plant and machinery by ₹419.37 crore, and inventory by ₹76.96 crore. The company expects part payment in FY24. It has not received any advance towards the same. BIPL is undertaking a reinstatement capex of ₹1,181.51 crore, which was earlier envisaged to be funded through the amount received from the insurance claim. However, in order to bridge the delay in receiving the insurance claim, the company has approached for a financial tie-up with LBBW Bank, Germany, and an ECB loan of EUR 72.42 million equivalent to approximately ₹652.52 crore was sanctioned. Installation and erection of the plant and machinery is expected to be completed in FY23. The quantum and receipt of insurance settlement as envisaged will remain a key rating monitorable.

Susceptibility to volatility in raw material prices
The major raw materials consumed are PTA and MEG, both being derivatives of crude oil are continuously affected by the movement in crude oil prices. Also, part of the PTA from Hong Kong, Taiwan, etc., and almost the entire MEG requirement is imported from Middle East countries, which takes longer time, and hence, more inventories to be maintained. However, as most of its raw material requirements are met through imports and the company has better bargaining power as compared to its competitors in the international markets, it can order an entire vessel due to its capacity and can negotiate better price terms. Furthermore, the volatility risk of raw materials is mitigated to a certain extent due to BIPL's integrated position and diversified product profile, which helps it to absorb any uneven increase in the raw material prices.

Foreign currency fluctuation risk
The company follows a hedging policy, wherein it hedges 80-100% of the booked exposure due within a year and 50-75% due within one plus years. The company hedges 50% of the anticipated exposure due within a year and 25% due after one year. BIPL's hedging policy helps it to mitigate the risk to that extent. The ability of the company to successfully manage its foreign exchange fluctuation risk remains critical from the credit perspective.

Cyclical, competitive and fragmented industry

The company operates in the cyclical and fragmented PFY industry, marked by the presence of various organised and unorganised players. The intense competition limits the pricing abilities of the players operating in the industry. Furthermore, a recent wave of capacity expansion carried out by certain players in the industry has put pressure on demand as well as margins. However, the risk is mitigated to an extent as the company has emerged as one of the leading players in the industry and it has been able to capture a good portion of the incremental demand.

Liquidity: Strong

The liquidity of BIPL is marked strong by accruals of ₹1,325.92 crore in FY22 and ₹513.31 crore in H1FY23, moderate utilisation of working capital facilities, cash and bank balances to the tune of ₹1,342.39 crore, as on September 30, 2022, and envisaged GCA of ₹1,088.11 crore in FY23. The company has undrawn working capital lines from banks, as it has an average working capital utilisation of 85.41% for the trailing 12-months ended January 2023. BIPL has a sufficient cushion against scheduled debt repayments, aggregating to ₹347.39 crore in FY23 and ₹375.25 crore in FY24, of which the company has repaid ₹411.18 crore in FY23 till December 31, 2022, which includes prepayment to the tune of ₹115.69 crore.

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manmade Yarn Manufacturing
Manufacturing Companies
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Bhilosa Industries Private Limited (BIPL) was promoted by Rameshchandra T Jain, Chairman & Managing Director, in 1988 and it started operations in 1990 in the name of Bhilosa Tex-N-Twist Private Limited. Subsequently, the name of the company was changed to BIPL on February 02, 2007. Over the years, through continuous backward and forward capacity expansion, BIPL has emerged as one of the leading integrated players in the PFY industry in India. It offers a range of products such as polyester texturised yarn (PTY), partially-oriented yarn (POY), fully-drawn yarn (FDY), knitted fabrics (KF), etc. The company has manufacturing facilities located in Silvassa in the Union Territory of Dadra and Nagar Haveli.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	30-09-2022 (UA)
Total operating income	5,904.37	9,126.54	6,050.20
PBILDT	1,181.60	1,758.50	658.80
PAT	611.36	955.76	405.22
Overall gearing (times)	0.66	0.60	0.62
Interest coverage (times)	11.94	39.95	71.61

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:
Not applicable

Any other information:
Not applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd.:
Not applicable

Disclosure of Interest of Managing Director & CEO:
Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	784.00	CARE AA-; Stable
Fund-based - LT-Term Loan	-	-	-	Dec 2032	2070.74	CARE AA-; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	1666.00	CARE A1+

Annexure-2: Rating history of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	2070.74	CARE AA-; Stable	-	1)CARE AA-; Stable (29-Mar-22)	1)CARE A+; Stable (31-Mar-21)	1)CARE A+; Stable (27-Mar-20)
2	Fund-based - LT-Cash Credit	LT	784.00	CARE AA-; Stable	-	1)CARE AA-; Stable (29-Mar-22)	1)CARE A+; Stable (31-Mar-21)	1)CARE A+; Stable (27-Mar-20)
3	Non-fund-based - ST-BG/LC	ST	1666.00	CARE A1+	-	1)CARE A1+ (29-Mar-22)	1)CARE A1+ (31-Mar-21)	1)CARE A1+ (27-Mar-20)

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities
Not applicable

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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