

Budge Budge Company Limited

August 26, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	23.28	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
Total Bank Facilities	23.28 (₹ Twenty-Three Crore and Twenty- Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE had, vide its press release dated March 27, 2019, placed the rating of Budge Budge Company Ltd. (BBCL) under the 'issuer non-cooperating' category as BBCL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. BBCL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated May 24, 2022 and June 13, 2022 among others. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of weak financial performance in Q1FY23 and lack of adequate information and uncertainty around the credit risk profile of the company.

The rating continues to remain constrained by relatively small scale of operation, susceptibility to vagaries of the nature and moderate exposure to raw material price fluctuation risk, and labour intensive nature of business and high competition. The rating, however, derives comfort from long experienced promoters along with long track record of operation, established brand name along with moderate capacity utilisation in line with recovery rate and diversified customer base, and moderate capital structure.

Detailed description of the key rating drivers

At the time of last rating on July 08, 2021, the following were the rating strengths and weaknesses (updated from the information received from the stock exchange):

Key Rating Weaknesses

Weak financial performance in Q1FY23

The total operating of the company improved by 8.23% y-o-y to Rs.221.71 crore in FY22 vis-à-vis Rs.204.86 crore in FY21. The PBILDT margins also improved significantly. The company achieved PAT of Rs.0.17 crore as against net loss of Rs.16.01 crore in FY21. The financial performance of the company however declined in Q1FY23. The total operating income of the company though improved, the company incurred operational losses in comparison to operational profits in Q1FY22 & Q4FY22 due to substantial increase in the price of raw materials. Further, the company incurred net loss of Rs.3.25 crore in Q1FY23 as against net profit of Rs.4.28 crore in Q4FY22 and Rs.1.74 crore in Q1FY22.

Limited product profile

BBCL primarily manufactures Hessian and sack which are primary jute products and does not command high margins as compared to value-added jute products like yarn which is used in making shopping bags and fashion accessories. The company has started the production of Geo Textile in the current year which is being used in Road Construction Projects. The limited product profile coupled with stiff competition from other manufacturers also restricts the company's ability to serve the export market.

Labour intensive operations

The jute industry is highly labour intensive entailing high employee expenses; ranging between 18% to 22% of cost of sales over the last three years. The domestic jute industry is generally plagued by labour related problems for the last few decades and BBCL also suffered accordingly in the past from absenteeism of labours.

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

Dependence on vagaries of nature exposing the company to raw material price volatility risk

BBCL procures raw jute from domestic suppliers and does not have any long term agreement with them. As raw material (raw jute) cost is the major cost driver (constituted about 61% of cost of sales in FY18), any adverse movement in its price, impacts the profitability of the company. The prices of raw jute are volatile in nature due to heavy dependency on the vagaries of nature, crop economics and determination of Minimum Support Price by GoI. The impact of raw-material price fluctuation on profitability is limited to the exposure to non-govt. orders (as govt. orders include a price variation clause). BBCL sells majority of its products (around 80%-90%) to Government agencies.

Technology obsolescence risk

Jute industry is plagued by obsolete and outdated machineries arising out of low level of investment in technology and machinery up-gradation. However, BBCL has made regular investments in up-gradation of existing machineries and phasing out of old machineries to improve quality and reduce cost of production.

Key Rating

Strengths Experienced promoters with long & satisfactory track record

BBCL was incorporated in 1973 by Mr A.K. Poddar, son of Late Mr B.P. Poddar. The B.P. Poddar family has a very long track record across businesses like infrastructure, chemicals, steel, cotton textiles, education, jute, tea, etc. Post family partition, Mr A.K. Poddar along with his son Mr Manish Poddar takes care of jute, tea, logistics and infrastructure businesses.

Moderate capital structure of the company

The debt equity ratio is comfortable at 0.53x as on March 31, 2022 vis-à-vis 0.93x as on March 31, 2021. Also, the overall gearing ratio improved and stood at 1.45x as on March 31, 2022 as against 1.61x as on March 31, 2021.

Analytical approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the company

BBCL was incorporated by Mr. Ashok Kumar Poddar on May 10, 1973 as Carbonates (India) Limited and was rechristened as Budge Budge Co. Ltd in 1981. The promoters have business interests in industries like logistics, real estate and tea and have manufacturing units in the State of Kerala and West Bengal. Currently the company is engaged in manufacturing various jute products such as Hessian, Sacking and Yarn at its manufacturing unit in Budge Budge, West Bengal with an installed capacity of 36,500 MTPA.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (U/A)
Total operating income	204.86	221.71	73.77
PBILDT	-11.32	4.18	-0.64
PAT	-16.01	0.17	-3.25
Overall gearing (times)	1.61	1.45	NA
Interest coverage (times)	-2.04	0.64	-0.43

A: Audited; U/A: Unaudited; NA: Not available.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

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		-	-	-	14.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	September 2023	9.28	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer – did not Co-operate; Based on best available information

Annexure-2: Rating history for the 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-Cash Credit	LT	14.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Jul-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Jul-20)	-
2	Fund-based - LT-Term Loan	LT	9.28	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Jul-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Jul-20)	-

*Issuer – did not Co-operate; Based on best available information

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this company

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:

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