

Banking Advisory Report 2021

ABC Pvt Ltd

ABC PRIVATE LIMITED



May 31, 2021

Prepared By- De Wise Advise Pvt Ltd

DWA

1Dé Wise Advise Private Limited

Information Memorandum

Private & Confidential – For Private Circulation Only

(This Information Memorandum is neither a Prospectus nor a Statement in Lieu of Prospectus)

ABC Pvt Ltd

Registered Office: 35 / 1 & 35 / 2, Nxxxxthxxxty, Alxyxyxyx Pxxt, Sxlxx – 11111

Factory: Unit 1:35 / 1 & 35 / 2, Nxxxxthpxxly, Alxyxyxyx Pxxt, Sxlxx –00000

Factory : Unit 2 : 2/22, 2/33, Pxxxxl Mxxx Axxxxx, Nxxxxthxxxi, Alxxxxx, Sxlxx- 22222

Factory : Unit 3 : 245 /2, Stxxxx Rxxx , Alxyxyxyx, Alxxxxx, Sxlxx - 33333

Windmill : Thxxxxxxxx Village, Near Pxxxxx, Xxxxxx District

Bankers : Xxxxx xxxxx xx xxxxx, Commercial Branch, Xxxxx

Banking Advisory Report

COMPANY'S ABSOLUTE RESPONSIBILITY: The Company, having made all reasonable inquiries, accepts responsibility for, and confirms that this Banking Advisory Report contains all material information with regard to the advice on Banking limits, Peer Comparison, Working Capital Management and Balance sheet refinement that the information contained in this Banking Advisory Report is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document, as a whole or any of such information or the expression of any such opinions or intentions, misleading in any material respect.

ADVISOR TO THE COMPANY:

Dé Wise Advise Private Limited
412, 4th Floor, D-Wing,
Neelkanth Business Park,
Vidyavihar (W), Mumbai - 400086
Tel No.: +91 22 25159960
Mail ID –deepak@dwaindia.com
nitisha@dwaindia.com

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Acronyms and Abbreviations

<i>The Company</i>	<i>ABC Private Limited</i>
<i>DNA</i>	<i>Data not available</i>
<i>B/S</i>	<i>Balance Sheet</i>
<i>LTB</i>	<i>Long Term borrowing</i>
<i>STB</i>	<i>Short Term Borrowing</i>
<i>TOL</i>	<i>Total Outside Liabilities</i>
<i>TNW</i>	<i>Total Net Worth</i>
<i>LC</i>	<i>Letter of Credit</i>
<i>WC DL</i>	<i>Working Capital Demand Loan</i>
<i>PBDIT</i>	<i>Profit Before Depreciation, Interest & Taxes</i>
<i>PBT</i>	<i>Profit Before Tax</i>
<i>PAT</i>	<i>Profit After Tax</i>
<i>CA</i>	<i>Current Assets</i>
<i>CL</i>	<i>Current Liabilities</i>
<i>ROI</i>	<i>Return on Investment</i>
<i>SBLC</i>	<i>Standby Letter of Credit</i>
<i>FITL</i>	<i>Funded Interest Term Loan</i>
<i>CCECL</i>	<i>Common Covid 19 Emergency Credit Line</i>
<i>W.r.t</i>	<i>With respect to</i>
<i>p.a.</i>	<i>Per annum</i>
<i>ECLGS</i>	<i>Emergency Credit Line Guarantee Scheme</i>
<i>NSIC</i>	<i>National Small Industries Corporation</i>

About the Company

Company Name	ABC Private Limited
Date of Incorporation	Established in 1988 Date of Incorporation as Private Limited Company - October 00, 0000
Legal Status	Private Limited Company
Company CEO & Managing Director	Mr. Anonymous Smt. Anonymous
Brief about Company	<ul style="list-style-type: none"> ➤ ABC Private Limited is one of the largest Engineering and Manufacturing Company in the field of Medium Voltage Automotive in India. ➤ Company has network of – <ul style="list-style-type: none"> ❑ Art Manufacturing Facilities for Multiple Products. ❑ FIVE Regional Sales & Service Offices ❑ More than Hundred Channel Partners spread all over the country enable the company to efficiently serve and support the customers on suitable products, systems, services at competitive prices.
Products	<ul style="list-style-type: none"> ➤ Medium Voltage Vacuum Automotive products up to 36 KV ➤ Cast Resin Transformers, ➤ Electromechanical & Numerical Relays, ➤ HV HRC fuses, Vacuum Circuit Breakers, ➤ Spout bushings and Support insulators
Top 5 customers	<ul style="list-style-type: none"> ➤ GOKUN ➤ GOHANA ➤ KRILLINY ➤ BULMA International ➤ PICOLOTO
Top 5 Suppliers	<ul style="list-style-type: none"> ➤ ABC Electric (Beijing) Co., ➤ Superman Conductors (MP) Pvt. Ltd. ➤ ABBY India Limited ➤ New Indie tech ➤ COPTec
Registered Office Address	Confidential.
Industry	Automotive & Power Distribution
Export & Import	Export – Nil and Import – 20%
Credit Rating	BB+ Issuer not co-operating
Certification	An ISO 9001:2000 Company, certified by BVC
Recognition	M-smart VCB panel of ABC is used in many solar power plants and other Industries ABC Pvt Ltd is one of the Best Automotive in the Industry

Advisor to the Company

Company Name: **De Wise Advise Pvt Ltd**

Office: 412, 4th floor, D-wing, Neelkanth Business Park, Vidyavihar, Mumbai-400 086, India.

- Company with a proven past track record of 15 years in Debt Syndication and Management Consultancy.
- **Expertise in providing time-bound service in:**
 - Corporate Debt Syndication • Management Consultancy
 - Credit Rating Advisory • Private Equity Capital
- Company based in **Mumbai, Delhi and Bhopal.**
- Advised many companies in Management Consultancy & Credit Rating Advisory.
- Serviced more than 200 corporates in raising bank finance & syndicated various other alternative finance to corporates in raising bank finance at Competitive Rate, Optimum Tenure and Better Terms in lesser time.
- Having more than 50 years Manpower Experience.

Our Service Deliverables:

- Presentation of Corporate Borrower's positives/ strengths to Banks.
- Mitigation measures for Corporate Borrower's pain points.
- Very Strong Banking Relationship.
- Aggregator platform for Information on different Lenders with different product matched with different requirement of Corporate Borrowers. (www.loantm.com)
- Assisting in meeting Debt & Equity requirement of Corporates.
- Provide Banking Advisory Reports to Corporates.

Some of the Cost Benefits done by DWA –

- **Hotel sector** -Raised debt of more than Rs.250Crores and also raised private equity in multiple 5-StarResorts.
- **Power sector**– Helped indeciphering the legal terms of a Company's private equity agreement with PE Investor and helping them come out of Buyback provisions. Helped in trouble of WCDL repayment by streamlining existing Limits and advising on whole transaction.
- **Infra sector**- Helped the Company in increasing limits by 2X without additional collateral coverage and reduced interest cost burden by more than 2.5% p.a.
- **EPC sector**–Helped multiple Companies in raising funds for their projects without additional collateral coverage at best possible terms.
- **A few of our Clients:**

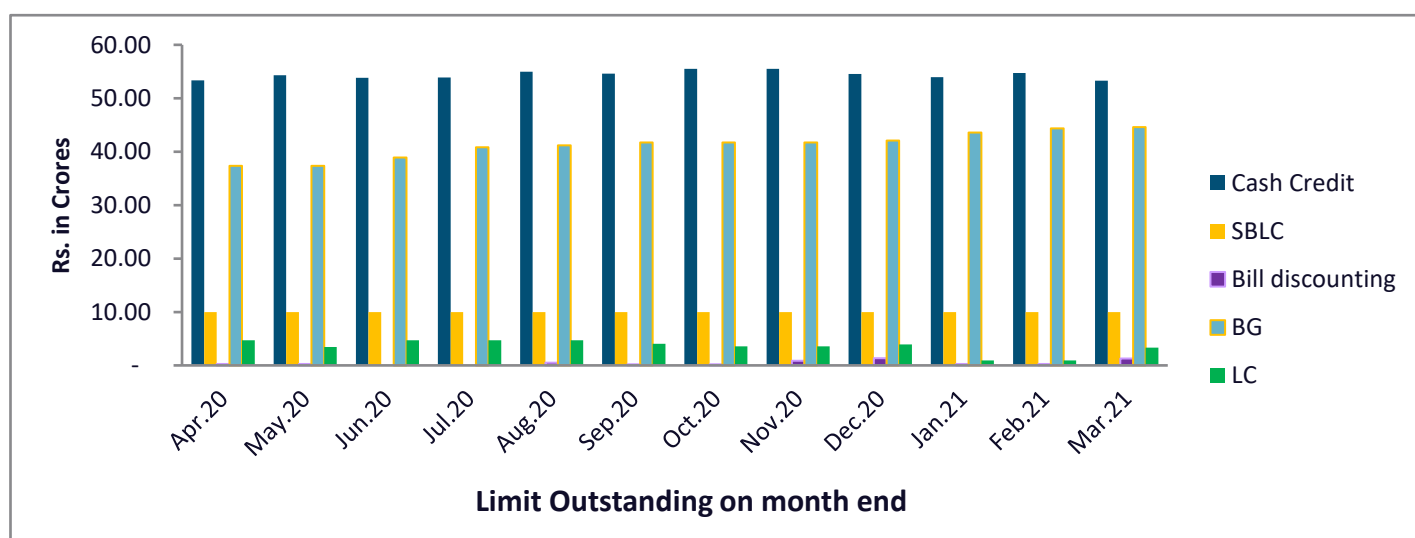


Part 1–Banking limits

Bank of India (ZBI) – Sole Banking	Last sanctioned limits (Rs. in Crores)	Outstanding as on 31March 2021 (Rs. in Crores)	Rates p.a.	Margin
Cash Credit* (Additional 5 Cr CC limit totally interchangeable with BG)	50.00 (5.00)	53.27	12.95%	25% on stock and 30% on Debtors
Standby Letter of Credit	10.00	10.00	13.95%	
CCECL	2.22	2.22	7.40%	
FITL	3.81	-		
Total Fund Based Limits	66.03	65.49		
Bank Guarantee	50.00	44.6	1.90%	10%
Letter of Credit (Fully interchangeable with BG)	5.00	3.32	1.50%	10%
Total Non-Fund Based Limits	55.00	47.92		
Total Limits	121.03	113.41		

*Discounting facility of Exports Bill within total sanctioned limit

Limit Outstanding at the end of every month for FY2021 -



Graph 1

Limit utilization

(Rs. in Crores)

Particulars	Apr.20	May.20	Jun.20	Jul.20	Aug.20	Sep.20	Oct.20	Nov.20	Dec.20	Jan.21	Feb.21	Mar.21
CC	53.37	54.33	53.81	53.91	54.97	54.61	55.52*	55.50*	54.52	53.94	54.71	53.27
SBLC	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Bill discounting	0.24	0.24	-	-	0.48	0.22	0.22	0.86	1.35	0.25	0.26	1.27
Fund Based limit utilized	63.61	64.57	63.81	63.91	65.45	64.83	65.74	66.36	65.87	64.19	64.97	64.54
LC	4.69	3.44	4.71	4.73	4.73	4.05	3.55	3.55	3.90	0.92	0.91	3.32
BG	37.33	37.38	38.90	40.81	41.19	41.70	41.71	41.71	42.07	43.56	44.38	44.60
Non Fund Based limit utilized	42.02	40.82	43.61	45.54	45.92	45.75	45.26	45.26	45.97	44.48	45.29	47.92
Total Limits utilization	105.63	105.39	107.42	109.45	111.37	110.58	111.00	111.62	111.84	108.67	110.26	112.46

* There are overdue in the account in the month of Nov & Dec for which Bank has also charged penal interest.

- ZBI Bank must have also **reported in CIBIL and CRILC for overdue** in the account.

Company should take clarification on record from Bank for reason of overdue.

Our Comments

Particulars	Comments
Limits	<ul style="list-style-type: none"> Company is having total working capitals limits of Rs.121 Crores on turnover of Rs.112 Crores. Companies in EPC Industry can have Non Fund Based (Bank Guarantee) as high as or more than the turnover in case if it is supported by eligible orders. However, fund based limit should not be more than the working capital cycle for the Industry which is 1/3rd of the total revenue as per Industry Standard. In our case, 1/3rd comes to Rs.37 Crores of working capital fund based on turnover of Rs.112 Crores. But in case company is able to justify that the working capital requirement is more than the Industry standard, the same should be explained to the Bank.

Case study – Limit % to revenue

Particulars	External Pvt. Ltd	Poly Ltd	XYZ Pvt. Ltd	ABC Pvt. Ltd
Revenue	54.89	1,249.18	56.27	112.00
Total Banking Limits	32.00	600.00	22.00	121.03
Limit % of revenue	58%	48%	39%	108%

Case study – Limit breakup

Particulars	External Pvt. Ltd	Poly Ltd	XYZ Pvt. Ltd	ABC Pvt. Ltd
Fund Based Limit	6.00	145.00	13.00	66.03
Non Fund Based Limit	8.00	392.47	8.50	55.00
Total Working capital Limits	14.00	537.47	21.50	121.03
Term Loan	17.78	62.53	0.50	-
Total Banking Limits	31.78	600.00	22.00	121.03

Cash Credit

- Company should reduce CC limit as it is proportionately on higher side as compared to Industry standard and at a very high cost as well (@ 12.95% p.a.).
- Company should convert Cash Credit limit into WCDL of revolving 6 months / WCTL with tenor of 7 years including 2 years moratorium and nil prepayment penalty.
 - More than 90% of the Cash Credit limit is always utilized as shown in Graph 1.
 - Rate of interest on WCDL is lower than Cash Credit rate by 0.50% – 1% p.a.
 - WCTL will give 2 years of breather to the company and once revenue and profit is streamlined, company should start paying it gradually over next 5 years.
 - Company can increase CC limit in future once turnover of company increases.
 - It will improve current ratio

Alternative to high cost CC limit

- Being project based Company - Company should take a **Line of Credit**. It is in the form of Term loan for the tenor of the project. Once the project is completed, company has to repay the limit.
- Company should look at reducing cash credit limit and replacing it by way of **WCDL** because anyways more than 90% of the limit is utilized throughout the year.
- Instead of using CC limit to make payment to supplier, company should use **LC limit** to make payment to supplier.

WCDL -

- In Working Capital Demand Loan, a predetermined limit is set. Interest is charged on the entire limit amount set. Loan has to be repaid within 90 days or a maximum of 180 days. The limit is reinstated only after the amount is repaid.
- Company should ask Bank to set some part of CC limit as WCDL limit
- **Savings –if Rs.40.0 Crores is used as WCDL limit, company can save finance cost of (Rs.40.0 Crores * 1.0%) - Rs.0.40 Crores**

Promoter level funding –

- If there is any free security available for mortgage, promoter should look for Loan against Property at individual level. LAP facility is available at interest rate of less than 10% p.a. as compared our average funding of more than 13% p.a.
- **So 3% saving on Rs.40.0 Crores amounts to Rs.1.20 Crores p.a.**
- Promoter should infuse that funds in the company as Equity and reduce high cost debt.
- As per the current ITR of both the promoters, the gross income shown in Income Tax return aggregates to approx.Rs.1.0 Crores p.a. (before deductions) which in case increase to Rs.3.0 Crores p.a. out of the profit of the company by way of salary, the loan amount raised can be Rs.20 Crores.
- Assuming rate of interest @10%, the interest expense deductible against additional salary shall be Rs.2.0 Crores. Hence taxable income (Rs.3.0 Crores of total income – Rs.2.0 Crores of interest) will be Rs.1.0 Crores, which is the current ITR filled with income tax. Hence there won't be any impact on Tax front of the promoters.

- This will have very positive impact on the Credit Rating of Company. Fund Based amount will decrease by that much amount and Networth will increase. It will benefit company in reducing rate of interest with ZBI as well ZBI rating will improve.

Standby Letter of Credit

- Company should look forward in reducing the SBLC outstanding by converting the SBLC limits into WCTL for 5 years (Working Capital Term loan) limit and start repaying the amount gradually by approx. Rs.2.0 Crores every year.
- It is very high cost fund, interest rate - 13.95% so should be paid off over period of 5 years (13.95% is the rate at companies are borrowing unsecured loan from the market)
- Currently company is paying interest of Rs.1.40 Crores every year on SBLC. This will eat away lot of profit. So best way is to reduce the limit.
- Since there in no long term debt in the company, company can take long term debt.
- **Savings of Rs.0.24 Crores by repaying Rs.2.0 of SBLC every year.** (Refer comment in BG)

Bill discounting

- Company is already utilizing approx. Rs.1.0 Crores of bill discounting facility.
- Company is having very good customer profile. Increase utilization of this facility for Interest rate benefit.
- Company should look for separate bill discounting facility either by way of **TReDSplatform** or from any Bank apart from ZBI.
[\(https://www.rxil.in/\)](https://www.rxil.in/)
- Being MSME clients, can also get the Bill discounted under **National Small Industries Corporation (NSIC) scheme.**
 [\(https://www.nsic.co.in/Schemes/Bill-Discounting\)](https://www.nsic.co.in/Schemes/Bill-Discounting)
- **Even if Rs.10 Crores is used as bill discounting facility instead of CC, savings -**

	Rate of Interest	Amount (in Crores)
Cash credit limit	13% p.a. on Rs.10 Cr	1.30
Bill discounting	Approx.9% p.a. on Rs.10 Cr	0.90
Savings		0.40

- List of customer that can be looked for Bill Discounting

1. Xxx Limited – Bangalore
2. Xxx Company Ltd
3. Xxx Pvt. Ltd
4. Xxx Pvt.Ltd
5. Xxx Ltd
6. Xxx Limited
7. Xxx Pvt.Ltd
8. Xxx Limited
9. Xxx Limited - New Delhi
10.Xxx P Ltd
11.Xxx Pvt.Ltd-Haryana
12.Xxx Ltd.,
13.Xxx (India) Private Ltd – Gujarat

CCECL

- Company has been provided CCECL limit of Rs.2.2 Crores under ZBI scheme of Common Covid Emergency Credit Line whereas company is eligible for Rs.12.94 Crores of limit (fund based limit outstanding as on Feb 28, 2020 of Rs.64.7 Crores * 20%) under ECLGS 2.0.
- If the working capital assessment calculation supports, company can avail additional Rs.12.94 Crores limit or else Company can use this amount for repayment of SBLC limit and reducing CC limit which is very high cost funds.
- Interest on ECLGS limit is 7.40 % p.a. **Saving of interest cost -**

Particulars	Rate of interest	Amount (in Crores)
Interest on SBLC	13.95% p.a. on Rs.12.94 Cr	1.80
Interest on ECLGS	7.40% p.a. on Rs.12.94 Cr	0.95
Savings		0.85

- ZBI has denied the facility specifying that the company is not covered under 26 sector specified by Kamath committee.
- But Company can avail ECLGS 2.0, under power sector which is covered under list of sectors specified by Kamath committee.
- Companies in your sector (XYZ Limited) has availed ECLGS limit from Banks.
- You can avail loan under **ECLGS 2.0 by June 30, 2021**

FITL

- FITL has been repaid by March 2021

Bank Guarantee

- There is BG of approx.Rs.9.60 Crores getting expired in FY2021 as mentioned in the list below. Company needs additional BG limit of approx. Rs.4.90 Crores for new orders. There will be unutilized BG limit of Rs.4.70 Crores.

- List of BG getting expired**

BG number	Name of the Customer	Value	Date of Claim
000000000000	Xxx	46,132,870.00	31.12.21
000000000000	Xxx Limited	214,045.00	30.04.21
000000000000	Xxx Limited	2,276,585.00	30.10.21
000000000000	Xxx Limited	263,440.00	25.08.21
000000000000	Xxx Limited	131,720.00	25.08.21
000000000000	Xxx Limited	328,300.00	20.08.21
000000000000	Xxx Limited	1,389,215.00	30.09.21
000000000000	Xxx,CHENNAI	988,700.00	10.11.21
000000000000	Xxx ,CHENNAI	748,200.00	10.11.21
000000000000	Xxx	2,126,835.00	31.08.21
000000000000	Xxx Ltd	1,248,520.00	10.11.21
000000000000	Xxx Pvt Ltd	446,000.00	28.08.21
000000000000	Xxx Ltd	3,228,850.00	31.12.21
000000000000	Xxx	1,600,000.00	30.11.21
000000000000	Xxx Corporation Ltd	153,400.00	01.03.22
000000000000	Xxx Ltd	9,978,950.00	26.02.22
000000000000	Xxx Corporation Ltd	5,241,900.00	28.02.22
000000000000	Xxx Corporation Ltd	14,363,680.00	31.05.21
000000000000	Xxx Corporation Ltd	1,930,000.00	24.09.21
000000000000	Xxx Corporation Ltd	3,714,805.02	30.09.21
	Total	96,506,015.02	
	Less - Value of additional BG required	49,119,392.00	
	Total free BG limit available	47,386,623.02	

- List of Retention money –**

Name of the Customer	Value
Retention from Xxx	7,562,420.00
Retention from Xxx	64,875,111.00
Retention from Xxx	34,462,749.00
Retention from Xxx	34,909,306.00
Retention from Xxx	13,144,862.00
Total	154,954,448.00

- This unutilized BG limit of Rs.4.70 Crores can be used –

- As per existing sanction letter, company can use BG for realizing the retention money from existing customer.

Being MSME client, Company should use MSME benefit for getting this thing done. You should put across letter to NTPC and others for realizing the retention money by providing BG.

- **Funds realized from retention money to be either used**
 - Ask for interchangeability of BG limit in LC limit and use LC limits for purchase of raw material.
 - Use this fund to pay off some part of SBLC limit.
 - Even if we consider, repayment of SBLC limit of Rs.2.0 Crores from realized retention money, saving will be

Particulars	Rate of interest	Amount (in Crores)
Interest on SBLC	13.95% p.a. on Rs.2.0 Cr	0.28
BG commission	1.90% p.a. on Rs.2.0 Cr	0.04
Savings		0.24

- There are some Banks who are providing funding against BG limit. You can issue BG in favor of lender and get it funded at lower rate of interest, typically at 9.5% interest rate p.a.

Letter of Credit

- Among all the limits, LC is the least costly limit. Company can procure Raw material against LC at lower cost.
- Company should ask Bank for full interchangeability of BG limits to LC limits

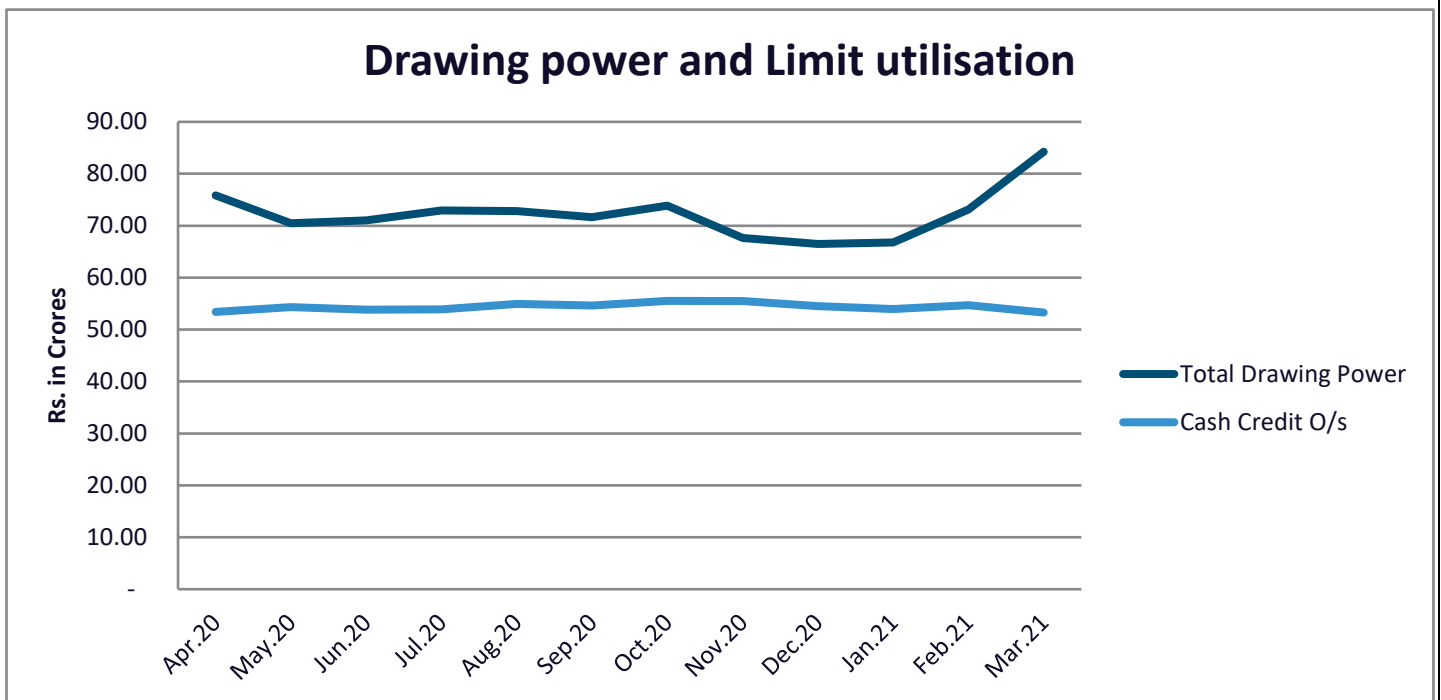
Term loan on Windmill

- There is income of Rs.0.52 Crores from windmill.
- Company should look for taking term loan against this income instead of giving it to ZBI Bank for interest rate benefit.
- There are Banks/NBFCs who provide funding against windmill income depending on the party to whom it is given.

Restructuring of limit

- Being MSME corporate, company can avail benefit of restructuring existing banking facility without a downgrade in the asset classification with reference to the RBI guidelines dated May 05. 2021.
- This one-time restructuring of account can be availed by Sept 30, 2021.

Derivation of Limits –



Cash Credit Limit(Rs. in Crores)

Particulars	Apr.20	May.20	Jun.20	Jul.20	Aug.20	Sep.20	Oct.20	Nov.20	Dec.20	Jan	Feb	Mar
Drawing power	75.84	70.47	71.03	72.93	72.84	71.63	73.89	67.61	66.48	66.78	73.15	84.25
CC Limit utilization	53.37	54.33	53.81	53.91	54.97	54.61	55.52	55.50	54.52	53.94	54.71	53.27

Drawing power is coming higher because of Inventory. Refer comment below on inventory.

Case study on working capital cycle

Particulars	Axxxx Pvt. Ltd	X&Y Electric Ltd	Jxxxx Pvt. Ltd	ABC Pvt. Ltd
Receivable period	43 days	131 days	78 days	188 days
Inventory holding days	178 days	139 days	339 days	506 days
Creditor period	57 days	128 days	143 days	91 days
Working capital cycle	164 days	142 days	274 days	602 days

- **Company should ask Bank to increase the debtor's period from 180 days to 360 days.**
- **Inventory holding period to be reduced**
- **ZBI has allowed 360 days receivable period for PSU Companies for drawing power calculation in the same industry.**

Month wise Drawing Power statement for FY2021

(Rs. in Crores)

Particulars	Apr.20	May.20	Jun.20	Jul.20	Aug.20	Sep.20	Oct.20	Nov.20	Dec.20	Jan	Feb	Mar
Stock – RM	73.25	63.79	64.19	58.15	60.31	60.80	60.40	53.80	55.24	56.02	59.26	66.26
Less – Creditors	20.97	20.94	22.31	21.18	20.16	19.46	17.86	19.07	20.30	16.38	18.38	17.69
Net Stock – RM	52.28	42.85	41.88	36.97	40.15	41.34	42.54	34.73	34.94	39.64	40.88	48.57
Stock – WIP	7.10	8.45	7.28	11.68	9.83	14.53	15.07	14.57	14.81	17.39	19.02	22.87
Stock – FG	30.64	24.23	22.89	18.78	18.52	19.12	18.84	19.43	22.82	21.47	21.27	21.71
Total Paid Stock	90.02	75.53	72.05	67.43	68.50	74.99	76.45	68.73	72.57	78.50	81.17	93.15
Less - Margin @ 25%	22.51	18.88	18.01	16.86	17.13	18.75	19.11	17.18	18.14	19.63	20.29	23.29
(A) Stock for DP	67.52	56.65	54.04	50.57	51.38	56.24	57.34	51.55	54.43	58.88	60.88	69.86
Debtors	64.69	68.95	73.26	78.54	75.54	67.18	68.35	65.03	58.64	56.60	59.37	56.03
Less - Above 6 months	52.80	49.20	48.98	46.60	44.87	45.20	44.71	42.08	41.42	45.31	41.84	35.48
Net Debtors	11.89	19.75	24.28	31.94	30.67	21.98	23.64	22.95	17.22	11.29	17.53	20.55
Less - Margin @ 30%	3.57	5.93	7.28	9.58	9.20	6.59	7.09	6.89	5.17	3.39	5.26	6.17
(B) Debtors for DP	8.32	13.83	17.00	22.36	21.47	15.39	16.55	16.07	12.05	7.90	12.27	14.39
(A+B)Total Drawing Power (DP)	75.84	70.47	71.03	72.93	72.84	71.63	73.89	67.61	66.48	66.78	73.15	84.25

Bank Guarantee Limit

Calculation of required BG for fresh order

Earnest Money	5%
Advance BG*	5%
Performance BG	10%
Total	20%
Total available limits	Rs. 50.0 Crores
Require order	Rs.250.0 Crores
Available orders	Rs.82.0 Crores

*Advance BG required is 10% - Earnest money gets converted into advance BG

- Company should ask for additional BG cum LC limit by atleast Rs.10 Crores.

- Next year, there are approx.Rs.22.0 Crores of BGs getting expired. Even if we keep aside Rs.5.0 Crores of BG for additional orders in next year, we have Rs.17.0 Crores of limit with us.
- **Company should also ask Bank for full interchangeability of BG limit to LC limit.**

Existing Sanction Terms

ZBI rating

Particulars		
Rating in ZBI	Company should try to improvise the current SB10 rating in ZBI	
	Reason for ZB10	Solution
	Projections submitted in ZBI	<ul style="list-style-type: none"> • Every year there is huge difference in Projected and Actual figures. Company should provide conservative and realistic projection. • Huge variance between projected and actual figures impact the rating.
	Debtors	<ul style="list-style-type: none"> • Reduce debtors by way of reducing retention money by submitting BG to customers as mentioned above. • You can get Credit Insurance for the receivables of private customers – costing 25 paise on Rs.100. <ul style="list-style-type: none"> ➢ If any company is delaying repayment of receivables for more than 90 days. You can use the insurance to get money from them. • Also there is a Government portal - MSME Samadhaan, wherein MSME companies can file case for delayed payment from State Government companies. https://samadhaan.msme.gov.in
	Stock	• Inventory of Rs.110 Crores on turnover of

Rs.112 Crores is too high.

- This will be putting pressure on Balance Sheet.
- We would request to realize the inventory immediately even if it require selling inventory at book value.

Improved rating helps to reduce interest rate, renewal charges and other Non-Fund Based charges

Projected V/s Actual numbers for FY2021

Particulars	Mar'21	Mar'21	% variance
	Provisional	Projected in CMA*	
Share Capital	5.02	5.02	-
Reserves & Surplus	111.28	113.26	-
Unsecured Loan			-
Networth	116.30	118.28	2%
Long-term Borrowings	-	-	-
Short-term Borrowings	62.74	65.00	4%
Inventory	110.85	99.01	11%
Receivables	57.67	55.00	5%
Creditors	19.99	30.91	55%
Total Revenue from Operations	112.00	120.00	7%
EBITDA	13.55	15.10	11%
PAT	1.43	3.40	137%
PAT margin	1.27%	2.83%	123%
Interest Coverage Ratio	1.36	1.75	28%
TOL/TNW	0.89	0.95	8%

*Submitted to ZBI in Jan 2021

Comment –

- Showing PAT less than projected will lead to further downgrade in ZB10 rating.
- Impact of further downgrading of ZB10 rating –
 - Interest cost will increase
 - Company cannot apply for enhancement of limit
 - All the deviations will be taken back and company cannot apply for any concessions
- We advise company to show profit same as projected in CMA submitted to ZBI Bank in a way that profit is shown in Books of Accounts as per Companies Act but as per Income Tax, company pay less tax. Probable ways for doing the same –
 - By deferred tax liability / depreciation, if any
 - Deferred revenue expenditure, if any

Sanction terms w.r.t. Limits

Sr. No.	Particulars	ZBI Bank	Rate	Comments	Industry standard
1	ROI on CC p.a.	6M MCLR - 6.95% +6.00% Spread	12.95%	Improve ZBI internal rating	9.40%
2	Interest on SBLC p.a.	6M MCLR - 6.95% + 7.00% Spread	13.95%	Improve ZBI internal rating	10.00%
3	Interest on CCECL p.a.	1M MCLR - 7.40%	7.40%	-	7.40%
4	LC commission p.a.	1.50%		Improve ZBI internal rating	1.00%
5	BG commission p.a.	1.90%		Improve ZBI internal rating	1.00%
6	Margin on CC	25% on stocks & 30% on debtors		Can ask for reducing margin on Debtors by 5%	25% on stock and Debtors
7	Debtors period	180 days for PSU Company and 120 days for others		To be increased to 360 days for PSU Company.	360 days for PSU companies
8	Margin on LC/BG	10%		As per Industry standards	10.00%

Case Study on Interest rate

Particulars	Bank	CC Interest rate
Confidential	BCB	10.15%
Confidential	XCYT Ltd	7.80%
Confidential	ZBI	9.40%
Confidential	ZBI	10.00%
Confidential	CNHT Bank	9.85%
Average		9.44%

Sanction terms w.r.t. security

Sr. No.	Particulars	ZBI Bank
1	Primary security	First Charge on the entire current assets
2	Collateral security	<ul style="list-style-type: none"> Company has provided more than 100% of collateral security Company should ask bank to release some part of collateral security once company plan to reduce Banking limits.. Released collateral security can be used for taking LAP facility. Interest on LAP is approx.10.0% p.a. Let assume we take LAP of Rs.25.0 Crores – interest rate on LAP will be 10% against CC interest rate of 13% p.a. Savings – Rs.25 Crores *3.0% - Rs.0.75 Crores

Details of collateral - Total valuation of below securities is approx. Rs.170 Crores

S.No	Description of Security	FMV (Rs in Crs)	FSV (Rs in Crs)
1	162536525 Xx XXI with Xxx 3.80 Acres, SXx xo.10001/1, 11/2 Xxxxx Vxxx, Rxxx , Txxxxx – 1111111.	7.25	5.80
2	0XX Xxxxxxx Xxxxxx S.No. 5/1, 5/1, 5/8, 5/3 in Nxxxx Viiiiii, Sxxx – 4xxxxxx to Mr CDE and Mrs.MMM.	7.56	6.04
3	Bpkl, House No.00002, VBNM, Sxx – 6890 302 belonging to Mr. Sxxxxx and Mrs.Jxxxxxx.	0.72	0.58
4	111111 acres factory land and building situated at SF.No.888888, Nxxxxx, Pxxxxx, Alxxxxxx, xxx – 0 belonging to M/s. ABC Pvt Ltd	58.92	47.14
5	xxxxx Land 0000.00 Sq.Feet, S.No/Hxxx.000/00, Kxxxxx, Kxxx, 6000000 belonging to Mrs. Jxxxxxx	2.36	1.89
6	Flat : 00000 xxxx, S.No/House No.00, Axxxx 00003 belonging to Mrs xxxx	1.78	1.43
7	000 Sq.Ft of factory land and building Nxxx, Pxxxxxx, Sxxxxxx – 4 belonging to M/s. ABC Pvt Ltd	32.11	25.69
8	Flat :0000 Sq.Feet, S.No/House No.00, Axxx Cxxxxx 00000 belonging to shri.Gxxxx	1.34	1.07
9	00 Sq.Feet of xxx xxx situated at Survey No / House No 00000,Yxxxx, Sxxxxx – 00000 belonging to Mr.xxxxxx	0.69	0.55
10	Vacant Land : 0000 Sq.Feet, S.No/House No.00, Bxxx, Sxxx 00001 belonging to shri.Gxxx	8.29	6.62
11	000 Sq.Feet of Vacant Land situated at Survey No / House No.00, 11111,111 ,Nxxxxxx, Sxxxxx – 00000	1.17	0.93

		belonging to Mrs.Jxxxx		
12		EM on Land (00 acres) and building thereon (00000 Sq.Ft) situated at 000/0, belonging to Shri.Xxxxx	30.46	24.37
13		0000Sq.Feetof house property situated at Survey No / House No. – 00000 belonging to Mr.Szzzzzz	0.72	0.58
14		House Property: 0000 Sq.Feet, S.No/House No.00, , xxxxxxx, Sxxxxxxx 0000 belonging to shri Gxxxxxx	2.44	1.95
15		Vacant Land : 00000 Sq.Feet, S.No/House No.0, Gxxxx	11.00	8.80
		Plant & Machinery (WDV as per B/s year ended 31.03.2020)	3.55	3.55
		Total	170.36	136.99

Sanction terms w.r.t. compliance

Sr. No.	Particulars	ZBI Bank	Comments
1	Stock statement submission	20 th day of the next month	Company should comply with the timelines of submission of documents to avoid penal charges.
2	Submission of provisional Financials	Before 30 th April	
3	Submission of Audited Financials	Before 30 th Sept	
4	Submit on quarterly basis – Unhedged foreign exposure List of new Bank accounts opened Investment made details		
5	Submission of FFR 1	52 days from end of quarter	
6	Submission of FFR 2	67 days from close of half year	
7	Stock Audit to be carried out in 6 months		

Sanction terms w.r.t. Financial covenants

Sr. No.	Particulars	ZBI Bank	FY2021	Comments
1	Financial Covenant for FY2021 (Penal Interest if deviation more than 20% in any 2 items)	Current ratio - > 1.66 TOL/TNW - <0.92 Interest coverage ratio - >1.79 DSCR - >4.92	✓ 1.65 ✓0.89 ✗ 1.36 ✗ 1.29	Default of covenant will attract 1% penal interest for adverse deviation more than 20% Covenant for FY2021 w.r.t. Interest coverage ratio and DSCR are not complied

Case study for Financial ratio

Particulars	Axxxx Pvt. Ltd	X&Y Ltd	Jxxxx Pvt. Ltd	ABC Pvt. Ltd	
Year	FY2020	FY2020	FY2020	FY2020	FY2021
Current ratio	2.37	1.42	1.53	1.92	2.05
TOL/TNW	1.28	1.39	4.84	1.00	0.89
Interest coverage ratio	1.75	1.97	1.48	2.21	1.36
DSCR	DNA	DNA	DNA	2.09	1.29

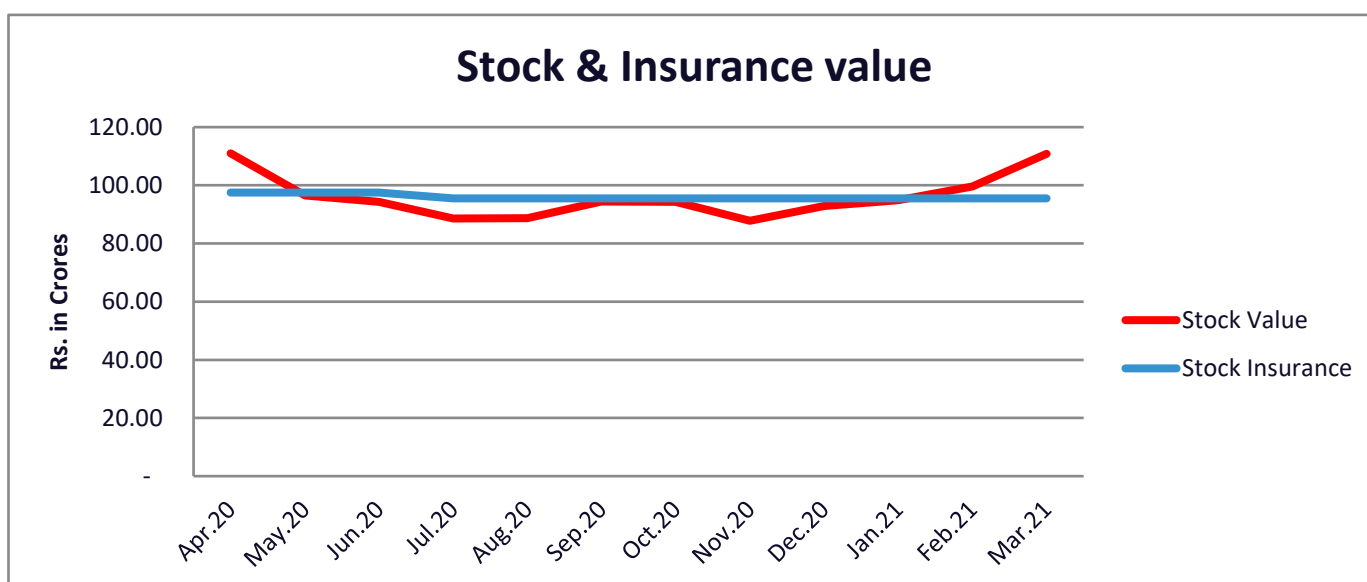
Sanction terms w.r.t. Insurance

As per sanction letter, all stock and assets to be fully insured. The stock was under insured in the month of Feb and March 2021.

(Rs. in Crores)

Particulars	Apr.20	May.20	Jun.20	Jul.20	Aug.20	Sep.20	Oct.20	Nov.20	Dec.20	Jan	Feb	Mar
Stock value	110.99	96.47	94.36	88.61	88.66	94.45	94.31	87.80	92.87	94.88	99.55	110.84
Insurance	97.50	97.50	97.50	95.50	95.50	95.50	95.50	95.50	95.50	95.50	95.50	95.50
Excess / (Deficit) Insurance	(13.49)	1.03	3.14	6.89	6.84	1.05	1.19	7.70	2.63	0.62	(4.05)	(15.34)

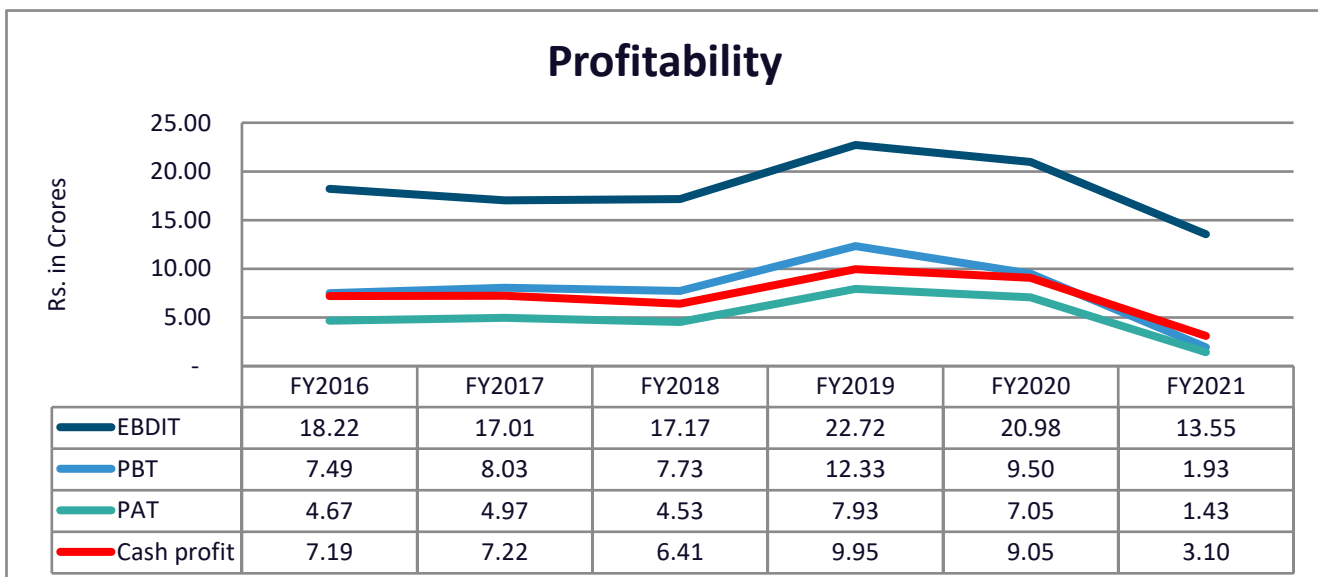
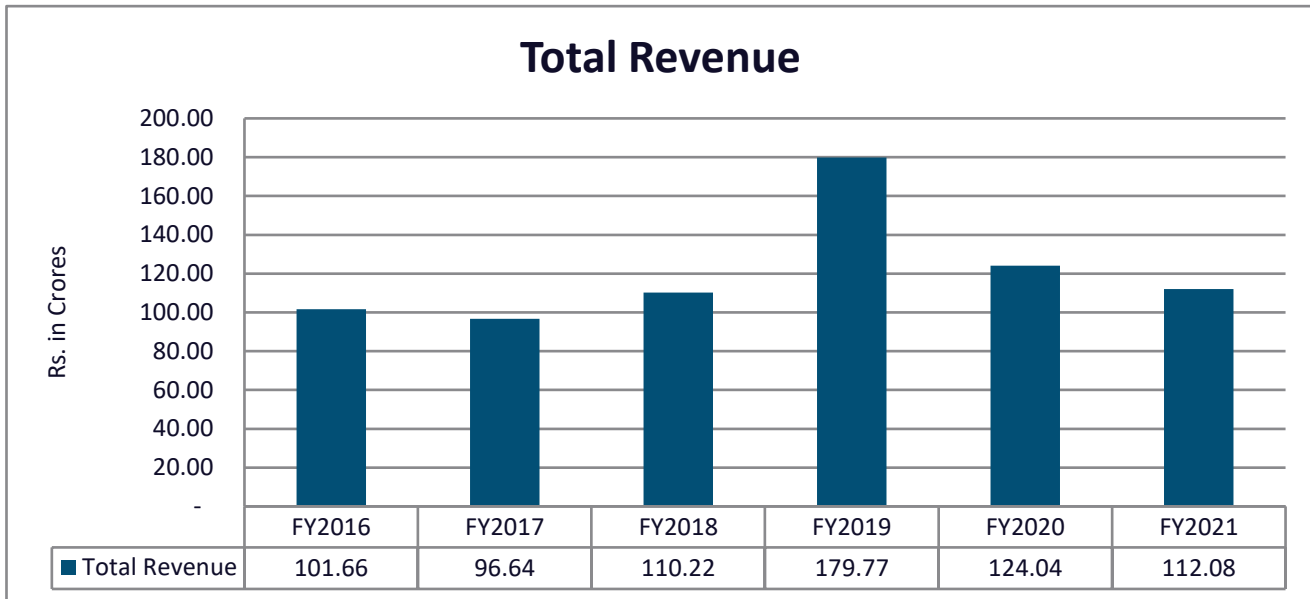
(Stock Insurance policy from The New India Assurance Co. Ltd – 005 of Rs.40 Crores, The New India Assurance Co. Ltd – 038 of Rs.50 Crores and ZBI General insurance of Rs.5.50 Crores aggregating to Rs.95.50 expiring on Dec 2021)



Part 2–Financial Analysis from Banking Perspective

What Bank looks in the Balance Sheet?

- Consistency/Increase in sales
- Increase in Profit
- Debtors and Stock at Optimum level
- Servicing capability of the Borrower of Interest and Principle



Financial Comparison with peers

(Rs. in Crores)

Particulars	Axxxx Pvt. Ltd	X&Y Ltd	Jxxxx Pvt. Ltd	ABC Pvt. Ltd	
	Mar'20	Mar'20	Mar'20	Mar'20	Mar'21
	Audited	Audited	Audited	Audited	Provisional
Share Capital	5.30	44.27	0.28	5.02	5.02
Reserves & Surplus	20.42	448.89	11.10	109.86	111.28
Networth	25.72	493.15	11.38	114.88	116.30
Long-term Borrowings	15.77	32.10	18.76	0.52	-
Short-term Borrowings	1.25	187.33	15.55	66.53	62.74
Trade Payables	6.91	249.84	17.38	30.50	19.99
Net Fixed Asset	28.13	234.07	10.43	14.58	13.02
Inventories	19.98	283.69	38.96	111.75	110.85
Trade Receivables	6.34	448.02	11.95	66.20	57.67
Revenue	62.37	1,266.85	56.42	124.50	112.09
EBDIT	3.99	57.42	4.52	20.98	13.55
PAT	7.40	2.12	0.88	7.05	1.43
Current Ratio	2.37	1.42	1.53	1.92	2.05
Long term Debt to Equity	0.61	0.07	1.65	0.00	-
TOL/TNW	1.28	1.39	4.84	1.00	0.89
EBDIT margin	6.4%	4.5%	8.0%	16.9%	12.1%
PAT margin	11.9%	0.2%	1.6%	5.7%	1.3%

Critical Analysis of Financials from Banking perspective (B/S)

Particulars	Observations
Sales and profitability	<ul style="list-style-type: none"> Sales and profitability are decreasing year on year.
Project based JV's	<ul style="list-style-type: none"> ABC Pvt Ltd is main Flagship Company. Company should form separate Joint Venture entity linked with specific project. In JV, all the transaction related to specific project like delayed receivables, stock can be maintained and proceeds can be booked in main flagship company once proceeds are received in JV. Project based lending can be taken in the JV. This will keep the main flagship company's financial clean and in order.
Utilization of Funds	<ul style="list-style-type: none"> Bank is earning more than promoter capital employed. Company should look forward for reducing cost of Finance cost as mentioned above

Particulars (Rs. in Crores)	FY2019 Audited	FY2020 Audited	FY2021 Provisional
Return on Capital Employed			
Profit After Tax	7.93	7.05	1.43
Cash Profit	9.95	9.05	3.10
promoter salary			
Cash profit after promoter salary (A)	9.95	9.05	3.10
Amount Invested by promoter (B)	107.83	114.88	116.30
ROI (A/B)	9.23%	7.88%	2.66%
Return to Banks			
Sanctioned limit	121.00	121.00	121.00
Interest paid	8.37	9.48	9.96
Return to Banks (%)	6.91%	7.84%	8.23%
Return to Business			
Turnover	179.77	124.04	112.00
Cash profit	7.93	7.05	1.43
Return to Business (%)	4.41%	5.68%	1.27%

Case study for BCD Limited Financial

Particulars	Jyoti Limited	Comments
Year	FY2020	Because of high Banking limit and very high inventory level, Company went into NCLT and now with Asset Reconstruction Company.
Revenue	Rs.111.0 Crores	
PAT (losses)	(Rs.12.12 Crores)	
Inventory	Rs.253.00 Crores	
Total Banking limit	Rs.388.0 Crores	

Part 3–Conclusion

Particulars	Action points	Savings (Rs. in Crores)
CC Limit	<ul style="list-style-type: none"> Take clarification from Bank for overdue in the account in the month of Oct 2020 and Nov 2020 	-
	<ul style="list-style-type: none"> Reduce CC limit by converting CC limit into WCTL with tenor of 7 years including 2 years moratorium and nil prepayment penalty Replace CC limit with WCDL limit Company should take a Line of Credit Use LC limit instead of CC limit for making payment to supplier Look for promoter level funding and infuse the funds in the Company <p>(At this kind of situation, wherein Limit is so high, Turnover is low and Inventory is at high level, new Bank will not be keen in taking the account. So best way is to take funding at individual level at lower cost by making the individual ITR strong and infuse the fund in company as equity)</p>	1.60
ECLGS	<ul style="list-style-type: none"> Company should avail ECLGS limit of Rs.12.94 Crores from ZBI by June 30, 2021 	0.85
SBLC	<ul style="list-style-type: none"> Convert SBLC into WCTL for 5 years and start repaying the limits gradually 	0.24
Bill discounting	<ul style="list-style-type: none"> Look for separate Bill discounting facility at TReDS or under NSIC scheme Company being an MSME unit and having good customer profile, should take benefit of the same. 	0.40
BG	<ul style="list-style-type: none"> Use the unutilized BG limit of Rs.4.70 Crores for realizing retention money Use realized retention money for making payment of SBCLC limit Company can also avail funding against BG limit (Finance BG) at very low cost 	-
LC	<ul style="list-style-type: none"> Ask Bank for full interchangeability of BG limits to LC limits 	-
Term loan on windmill	<ul style="list-style-type: none"> Company should look for taking loan against windmill Income 	-
Restructuring of limits	<ul style="list-style-type: none"> Company should avail one-time restructuring of account under RBI guidelines dated May 05, 2021 	-
Collateral security	<ul style="list-style-type: none"> Reduce high cost limits from ZBI and get some part of the collateral released Company can take LAP facility on the realized collateral 	0.75

Debtor's period in Drawing power	<ul style="list-style-type: none"> Ask Bank to increase the debtor's period from 180 days to 360 days. 	-
Projections	<ul style="list-style-type: none"> Provide conservative and realistic projection to Banks Show profit in FY2021 as projected for FY2021 in CMA submitted to ZBI Bank in Jan 2021 to avoid further downgrade in ZBI rating 	-
Debtors	<ul style="list-style-type: none"> Take credit insurance for receivables of corporates 	-
Stock	<ul style="list-style-type: none"> Realize the inventory immediately even if it require selling the inventory at book value 	-
Separate Joint Venture entity	<ul style="list-style-type: none"> Company should look to create separate project based Joint Ventures so that the financials of main flagship company – ABC Pvt Ltd will be clean and in order. 	
Total savings		3.84

Attachment –

ECLGS Guidelines

RBI Restructuring Guidelines

THANK YOU....