

Press Release

Brew Force Technologies

April 07, 2021



Rating Downgraded

Total Bank Facilities Rated*	Rs.15.00 crore#
Long Term Rating	ACUITE D (Downgraded from ACUITE BB- Stable)
Long Term Rating	ACUITE C (Downgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D (read as ACUITE D)**' and '**ACUITE C (read as ACUITE C)**' from '**ACUITE BB-(read as ACUITE BB minus)**' and the short term rating to '**ACUITE D (read as ACUITE D)**' from '**ACUITE A4**' on the Rs.15.00 crore bank facilities of Brew Force Technologies (BFT).

The rating downgrade is on account of delays in servicing of debt obligations.

New-Delhi based Brew Force Technologies (BFT) was established in 2008 by Mr. Balbir Singh Malhotra and Mr. Pritam Singh Malhotra and the firm undertakes the turnkey project for setting up plants for Brewery, Distillers and FMCG Industries. The firm has in house facility for fabrication of Industrial Tanks and the other materials are procured from other manufacturers. Firm has its manufacturing facility located in New Delhi and Dehradun.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Brew Force Technologies to arrive at this rating.

Key Rating Driver

Strengths

- **Experienced Management**

The company is engaged in undertaking turnkey projects for Brewery, Distillers and FMCG Industries. The firm is managed by Mr. Balbir Singh Malhotra and Mr. Pritam Singh Malhotra who have more than a decade of experience in the aforementioned industry which has helped them to establish a strong market position. The firm has reputed clientele like Marico Limited, S. R. Distillers, Cheer Breweries Limited and Bokaro Distillery Private Limited among others. Acuite believes that the company will continue to benefit over medium to long term owing to its experience management.

- **Moderate order book position**

The order book position of the firm stood at ~Rs.80.00 crore as on 31 July 2020 which provides revenue visibility over the medium term. However, the addition of new orders will be critical for the firm to maintain its credit stability.

Weaknesses

- **Delays in repayment of debts**

The firm has been facing significant liquidity pressure, which has impeded its ability to meet its debt obligation in a timely manner. The account of the firm has been irregular reflected by delays in servicing its long term as well as short term debt repayments availed from its lenders in due time.

• Working capital intensive nature of operations

The operations of the firm are working capital intensive marked by Gross Current Assets (GCA) of 723 days in FY2020 (Provisional) as against 618 days in FY2019. This is majorly on account of high debtor's collection period of 192 days in FY2020 (Provisional), the inventory holding period of 163 days in FY2020 (provisional) and loans and advances of around Rs.50.00 crore been extended to related parties. The current ratio stood low at 0.98 times as on 31 March 2020 (Provisional) as against 0.85 times as on 31 March 2019.

• Average financial risk profile

The financial risk profile of the firm is average marked by low net worth, high gearing levels and moderate debt protection metrics. The net worth of the firm stood at Rs.5.06 crore as on 31 March 2020 (Provisional) as against Rs.3.82 crore as on 31 March 2019, the improvement is on account of accretion of reserves. The Gearing (debt-equity) levels of the firm stood at 1.77 times as on 31 March 2020 (Provisional) as against 2.53 times as on 31 March 2019. TOL/TNW (Total outside liabilities- Total net worth) stood at 20.45 times as on 31 March 2020 (Provisional) as against 31.21 times as on 31 March 2019. Total debt of Rs.8.93 crore as on 31 March 2020 (Provisional) consist of long term debt of Rs.2.18 crore and working capital borrowings of Rs.6.75. Interest coverage ratio (ICR) of the firm stood at 2.58 times in FY2020 (Provisional) as against 1.61 times in FY2019.

Liquidity Position: Poor

The firm has poor liquidity position marked by overdrawings of fund-based working capital limits and elongated working capital cycle marked by Gross Current Assets (GCA) of 723 days in FY2020 (Provisional) as against 618 days in FY2019. Net cash accruals stood average at Rs.1.82 crore in FY2020 (Provisional) vis-à-vis its repayment obligations of Rs.0.40 crore during the same period. Going forward, net cash accruals are expected to remain in the range of Rs.1.69 crore to Rs.1.91 crore during FY2021- 2023 as against repayment obligation of Rs.0.40 crore during the same period.

Rating Sensitivity

- Timely repayment of the debt obligations

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Prov)	FY19 (Actual)
Operating Income	Rs. Cr.	50.31	58.65
PAT	Rs. Cr.	1.04	(0.14)
PAT Margin	(%)	2.06	(0.23)
Total Debt/Tangible Net Worth	Times	1.77	2.53
PBDIT/Interest	Times	2.58	1.61

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Aug-2020	Secured Overdraft	Long Term	6.50	ACUITE BB-/Stable (Downgraded)
	Letter of Credit	Short Term	4.40	ACUITE A4 (Downgraded)
	Proposed Bank Facilities	Long Term	4.10	ACUITE BB-/Stable (Assigned)
12-March-2020	Secured Overdraft	Long Term	5.00	ACUITE BB (Indicative)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Indicative)
10-Jan-2019	Secured Overdraft	Long Term	5.00	ACUITE BB (Indicative)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Indicative)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE D (Downgraded from ACUITE BB-/ Stable)
Letter Of Credit	Not Applicable	Not Applicable	Not Applicable	4.40	ACUITE D (Downgraded from ACUITE A4)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.10	ACUITE C (Downgraded from ACUITE BB-/ Stable)

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About Acuité Ratings & Research:

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