

Press Release

Baliga Lighting Equipments Private Limited (BLEPL)

15 March, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs.10.90 crore
Long Term Rating	SMERA BBB-/ Stable (Upgraded from SMERA BB+/Stable)
Short Term Rating	SMERA A3 (Upgraded from SMERA A4+)

*Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating on the Rs.9.00 crore bank facilities of Baliga Lighting Equipments Private Limited (BLEPL) to '**SMERA BBB-** (read as SMERA triple B minus) from '**SMERA BB+** (read as SMERA double B plus) and short term rating to '**SMERA A3**' (read as SMERA A three) from '**SMERA A4+**' (read as SMERA A four plus). Further, SMERA has assigned long term rating of '**SMERA BBB-** (read as SMERA triple B minus) on the Rs.1.90 crore bank facility. The outlook is '**Stable**'.

The upgrade is in view of BLEPL's improving scale of operations, profitability and absence of long term debt obligations over the near to medium term. SMERA believes that going ahead, the company will sustain growth in revenues and profitability margins over the medium term.

The Chennai-based BLEPL was incorporated in 1961. The company is engaged in the manufacture of electrical and electronic equipments. It caters to various industries including oil and gas, pharmaceuticals, chemicals, refineries among others. Some of the prominent customers include Reliance Industries Limited, Aurobindo Pharma Limited, Asian Paints Limited to name a few. The manufacturing facilities are located in Chennai with total installed capacity of 2,74,700 units per annum. The overall operations are managed by Mr. R. Ramesh Baliga.

List of key rating drivers and their detailed description:

Strengths:

Experienced management and long track record of operations

BLEPL, incorporated in 1961 is headed by Mr. B. Ramesh Baliga, Ms. Asha Baliga and Ms. Archana Baliga. The promoters possess experience of over five decades in the electrical equipments industry. SMERA believes that the long track record of operations and extensive experience of the management have helped the company maintain long term relations with customers and suppliers. The operating income stood at Rs.52.21 crore in FY2017 as against Rs.46.69 crore in FY2016.

Moderate revenue growth

The company registered growth of ~41.00 per cent for the period FY2014-FY2017. The revenue for FY2017 stood at Rs.52.21 crore as against Rs.46.69 crore in FY2016. Further, the company registered revenue of Rs.40.00 crore from April, 2017 to January, 2018. BLEPL has total orders

in hand worth Rs.19.00 crore, out of which around Rs.13.00 crore worth of orders are expected to be completed by March, 2018 and the rest by April, 2018.

Improving profitability margins

The EBITDA margin improved to 6.69 percent in FY2017 from 3.50 percent in FY2016 on account of decline in raw material prices and job work expenses. Further, the PAT margin stood at 3.33 percent in FY2017 compared to 1.13 percent in FY2016. SMERA believes that the profitability margins will further improve over the medium term on account of lower interest, burden of depreciation and continued increase in scale of operations.

Moderate financial risk profile

The rating also derives comfort from the moderate financial risk profile marked by improvement in gearing and comfortable debt protection metrics. The financial risk profile of the company has been moderate marked by net worth of Rs.17.38 crore as on 31 March, 2017 as against Rs.15.64 crore as on 31 March, 2016. The gearing stood low at 0.30 times as on 31 March, 2017 as against 0.29 times as on 31 March, 2016 on account of absence of long term debt. The total debt of Rs. 5.26 crore outstanding as on 31 March, 2017 comprises unsecured loans from Directors of Rs. 0.66 crore and working capital facility of Rs. 4.60 crore from the bank. The ICR improved to 9.51 times in FY2017 from 3.51 times in FY2016. The improvement in debt protection metrics has been primarily on account of higher EBITDA margins in FY2017.

The Net Cash Accruals increased to Rs.2.27 crore in FY2017 from Rs.1.01 crore in FY2016. The NCA/TD ratio stood at 0.43 times in FY2017 as against 0.22 times in FY2016. Going ahead, the company does not plan to take on any long term debt over the near to medium term.

Reputed and diversified customer profile

BLEPL caters to BHEL, ONGC, Essar Oil, Siemens, L & T, Aurobindo Pharma among others from diverse industries including refineries, contracting companies, pharma etc.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by GCA of 189 days in FY2017 as compared to 241 days in FY2016. The debtor days have been high at 123 and 154 days in FY2017 and FY2016 respectively, on account of the competitive nature of the industry and high credit period offered to customers. BLEPL caters to various industries including oil and gas, pharmaceuticals, chemicals and refineries. The inventory holding period stood at 40 and 48 days in FY2017 and FY2016 respectively. The average bank limit utilisation stood at 80 per cent for the last six months ended February 2018.

Susceptibility of operating margins to volatility in raw material prices

Since the prices of raw materials - aluminium ingots and castings are volatile in nature, the margins of BLEPL are susceptible to movement in raw material prices.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Baliga Lighting and Equipments Private Limited (BLEPL) to arrive at the rating.

Outlook: Stable

SMERA believes that BLEPL will continue to maintain a Stable outlook and benefit over the medium term from its established presence in the electrical equipmentsindustry. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining operating profitability and improving its coverage indictors. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	52.21	46.69	41.79
EBITDA	Rs. Cr.	3.49	1.64	1.93
PAT	Rs. Cr.	1.74	0.53	0.41
EBITDA Margin	(%)	6.69	3.50	4.62
PAT Margin	(%)	3.33	1.13	0.97
ROCE	(%)	14.69	6.65	16.54
Total Debt/Tangible Net Worth	Times	0.30	0.29	0.32
PBDIT/Interest	Times	9.51	3.15	3.35
Total Debt/PBDIT	Times	6.88	2.75	2.41
Gross Current Assets (Days)	Days	189	241	230

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
30-Dec, 2016	Cash Credit	LT	3.90	SMERA BB+/Stable (Assigned)
	Export Packing Credit/Bills Discounting	ST	1.00	SMERA A4+ (Assigned)
	Letter of Credit	ST	1.50	SMERA A4+ (Assigned)
	Bank Guarantee	ST	4.50	SMERA A4+ (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	5.00 (Revised from Rs. 3.00 Cr.)	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Export Packing Credit/Bills Discounting	NA	NA	NA	1.00	SMERA A3 (Upgraded from SMERA A4+)
Letter of Credit	NA	NA	NA	1.00 (Revised from Rs. 1.50 Cr.)	SMERA A3 (Upgraded from SMERA A4+)
Bank Guarantee	NA	NA	NA	2.00 (Revised from Rs. 4.50 Cr.)	SMERA A3 (Upgraded from SMERA A4+)
Proposed bank facility	NA	NA	NA	1.90	SMERA BBB-/Stable (Assigned)

Contacts:

Analytical	Rating Desk
Suman Chowdhury President – SMERA Bond Rating Tel: +91-22-6714 1107 Email: suman.chowdhury@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Namita Palve, Rating Analyst, Tel: +91-22-6714 1129 Email: namita.palve@smera.in	

ABOUT SMERA

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