

Press Release

Balaji Precision Tubes (India) Private Limited (BPTIPL)

Jul 22, 2019

Rating Downgraded



| | |
|-------------------------------------|--------------------------|
| Total Bank Facilities Rated* | Rs. 11.02 Cr. |
| Long Term Rating | ACUITE D (Downgraded) |

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long term rating to '**ACUITE D' (read as ACUITE D)**' from '**ACUITE B-**' (read as ACUITE B minus) to the Rs. 11.02 crore bank facilities of Balaji Precision Tubes (India) Private Limited (BPTIPL).

The downgrade is on account of current delays in repayment of term loan facility till June 2019.

Balaji Precision Tubes India Private Limited (BPTIPL) was established in the year of 2015 by Mr. Bipin Pralhad Jadhav and Mr. Nitin Prahlad Jadhav. The company is engaged in manufacturing of cold drawn welded (CDW) tube and electrically resistance welded (ERW) with the combined installed capacity of 1000 MT per month. The manufacturing facility is located in Raigad, district of Maharashtra.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of BPTIPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The directors of the company, Mr. Bipin Yadav and Mr. Nitin Yadav have more than a decade experience in similar line of activities through their group concerns

Weaknesses

Delays in debt service obligation

BPTIPL is delaying in repayment of its term loans till June 2019. This is mainly on account of weak liquidity on account of continuous losses during the period of 2017-2019 (Prov.).

Weak financial risk profile

The financial risk profile of the company is weak marked by low Net worth, high gearing and weak debt protection metrics. The net worth of the company stood at low Rs.3.36 crore in FY2019 (Prov.) as compared to Rs.5.06 crore in FY2018. Acuité has considered Rs.3.72 crore of unsecured loan from promoters as quasi capital as the same amount is subordinated with bank debts. The gearing of the company stood high at 3.04 times in FY2019 (Prov.) as compared to 1.74 times in FY2018. The total debt of Rs.10.24 crore consist short term debt from bank of Rs.3.48 crore and long term loan of Rs.6.76 crore as on 31st March 2019 (Prov.). The interest coverage ratio (ICR) of the company stood low at 0.22 times in FY2019 (Prov.) as compared to 0.14 times in FY2018. The debt service coverage ratio (DSCR) of the company stood low at 0.14 times in FY2019 (Prov.) as compared to 0.13 times in FY2018. The net cash accruals against the total debt stand negative 0.09 times in FY2019 (Prov.) as compared to negative 0.11 times in FY2018.

Liquidity Position

The company has weak liquidity marked by negative net cash accruals of Rs.0.90 crore in FY2019 (Prov.) as compared to negative Rs.1.00 crore in FY2018. The liquidity of the company is also reflected by 100 per cent utilization short term bank facility for last 6 months ended June 2019. Acuité believes, going forward the liquidity position will be expected to remain weak on account of insufficient cash accruals to repay the debt obligation.

About the Rated Entity - Key Financials

| | Unit | FY19 (Prov.) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------|---------------|---------------|
| Operating Income | Rs. Cr. | 10.27 | 6.56 | 0.33 |
| EBITDA | Rs. Cr. | 0.21 | 0.14 | 0.01 |
| PAT | Rs. Cr. | (2.50) | (2.85) | 0.01 |
| EBITDA Margin | (%) | 2.09 | 2.08 | 4.04 |
| PAT Margin | (%) | (24.29) | (43.48) | 2.81 |
| ROCE | (%) | (9.74) | (12.20) | 0.22 |
| Total Debt/Tangible Net Worth | Times | 3.04 | 1.74 | 1.58 |
| PBDIT/Interest | Times | 0.22 | 0.14 | 1.91 |
| Total Debt/PBDIT | Times | 39.37 | 55.71 | 398.52 |
| Gross Current Assets (Days) | Days | 338 | 333 | 2710 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr) | Ratings/Outlook |
|----------------------------|---------------------------------|-----------|-----------------|-------------------------------|
| 20 th June 2018 | Term Loan | Long Term | 7.42 | ACUITE B-/Stable (Reaffirmed) |
| | Secured Overdraft | Long Term | 3.60 | ACUITE B-/Stable (Reaffirmed) |
| 6 th Apr 2017 | Term Loan | Long Term | 7.42 | ACUITE B-/Stable (Assigned) |
| | Secured Overdraft | Long Term | 3.60 | ACUITE B-/Stable (Assigned) |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue | Ratings/Outlook |
|-----------------------------|------------------|----------------|----------------|-------------------|-----------------------|
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 6.50 | ACUITE D (Downgraded) |
| Secured Overdraft | Not Applicable | Not Applicable | Not Applicable | 3.60 | ACUITE D (Downgraded) |
| Proposed Long Term Facility | Not Applicable | Not Applicable | Not Applicable | 0.92 | ACUITE D (Assigned) |

Contacts:

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About Acuité Ratings & Research:

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