

Press Release

Batliboi Environmental Engineering Limited

August 20, 2018



Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs. 17.25 Cr. (Enhanced from Rs. 7.00 Cr.)
Long Term Rating	ACUITE B/Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 7.00 crore bank facilities of BATLIBOI ENVIRONMENTAL ENGINEERING LIMITED. The outlook is '**Stable**'.

Acuite has assigned a short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 10.25 crore bank facilities of BATLIBOI ENVIRONMENTAL ENGINEERING LIMITED. The outlook is '**Stable**'.

Batliboi Environmental Engineering Limited was incorporated in 1998 as a part of the Batliboi Group of Companies. The company is based at Waghle Estate, Thane, Maharashtra. The company is engaged in the manufacturing of air pollution control equipments and industrial fans. The manufacturing work is completely outsourced. Designing of the equipments according to the customization required by the clients and software changes are carried out inside the facility of the company. The company has another mini-designing facility in Kolkata and business development offices at Chennai and Delhi.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Batliboi Environmental Engineering Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Management along with long track of operations**
BEEL, incorporated in 1998, undertakes manufacturing of industrial fans and air pollution control equipments. The company has been into this business now for more than 3 decades. The company benefits from its experienced management of more than a decade.
- **Stringent regulations regarding environment**
The government is laying out stringent guidelines in order to protect the environment from any sort of pollution. This will help BEEL in expanding their business as new regulations regarding environmental conservation will encourage more clients to adopt pollution control equipments.

Weaknesses

- **Weak Financial Risk Profile**
The financial risk profile of the firm is weak marked by high debt to equity ratio of 3.43 times as on 31 March, 2018 (Provisional) as against 9.45 times in FY2017. The interest coverage ratio stood at 1.92 times for FY2018 (Provisional) as against (1.41) times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood high at 35.95 times as on 31 March, 2018 (Provisional) as against 344.86 times in FY2017. The net cash accruals to total debt stood at 0.29 times for FY2018 (Provisional) as against (3.63) times in FY017. Further, BEEL has stretched liquidity position as the average cash credit limit utilisation stood at ~98 percent for the last five months ended as on 31 March, 2018 (Provisional).

• Intensive Working Capital Operations

The operations are working capital cycle intensive in nature marked by Gross Current Asset (GCA) days of 229 for FY2018 (Provisional) as against 249 days in FY2017. The high GCA days are on account of debtor days of 189 in FY2018 (Provisional) as compare to 163 days in FY2017.

Outlook: Stable

Acuite believes that the outlook for BEEL will remain Stable over the medium term on account of its established presence and experienced partners in the air pollution equipment & industrial fans business. The outlook may be revised to Positive if the firm registers significant and sustainable growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to Negative in case the firm registers significant decline in revenues and cash accruals or in case of stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	50.64	35.47	31.98
EBITDA	Rs. Cr.	0.89	-2.20	-2.08
PAT	Rs. Cr.	0.83	-2.71	-2.22
EBITDA Margin	(%)	1.76	-6.20	-6.51
PAT Margin	(%)	1.64	-7.64	-6.95
ROCE	(%)	38.67	-138.75	-58.50
Total Debt/Tangible Net Worth	Times	3.43	9.45	27.26
PBDIT/Interest	Times	1.92	-1.41	-0.84
Total Debt/PBDIT	Times	1.63	-0.46	-2.33
Gross Current Assets (Days)	Days	229	249	286

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

Not Applicable

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/view-rating-criteria-20.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
02-Aug-2018	Term Loan	Long term	3.00	ACUITE B/Stable (Assigned)
	Cash Credit	Long Term	0.65	ACUITE B/Stable (Assigned)
	Letter of Credit	Short Term	2.25	ACUITE A4 (Assigned)

	Bank Guarantee	Short Term	1.05	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	0.05	ACUITE B/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.65	ACUITE B/Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE A4
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4
Inland/Foreign Guarantee	Not Applicable	Not Applicable	Not Applicable	9.75	ACUITE A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE B/Stable

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About Acuité Ratings & Research:

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