

## Press Release

Batliboi Environmental Engineering Limited

July 05, 2019

## Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 25.25 crore (Enhanced from Rs.17.25 crore)
<b>Long Term Rating</b>	ACUTE B / Outlook: Stable
<b>Short Term Rating</b>	ACUTE A4

\* Refer Annexure for details

## Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUTE B**' (read as **ACUTE B**) and the short-term rating of '**ACUTE A4**' (read as **ACUTE A four**) to the Rs. 25.25 crore bank facilities of BATLIBOI ENVIRONMENTAL ENGINEERING LIMITED (BEEL). The outlook is '**Stable**'.

BEEL was incorporated in 1987 as a part of the Batliboi Group of Companies. The company is based at Waghle Estate, Thane, in 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 business and financial risk profile of BEEL to arrive at the rating.

### Key Rating Drivers

#### Strengths

#### Experienced management and 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 almost 2 decades. The management has built good relations with customers and suppliers due to long track of operations. Acuite believes that experienced management will help the company to improve their business risk profile over the medium term.

#### Government support towards curbing air pollution

Pollution control norms laid out of by the government are getting more stringent every year. Protection of environment against any kind of pollution is one of the key focus areas in today's environmentally conscious world. This is likely to help BEEL in generating more sales for pollution control equipments and expand their business by adding more clients to their portfolio.

#### Weaknesses

#### Weak financial profile

The financial risk profile of the firm is weak marked by high debt to equity ratio of 4.27 times as on 31 March, 2019 (Provisional) as against 3.43 times in FY2018. The interest coverage ratio stood at 1.20 times for FY2019 (Provisional) as against 1.94 times in FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood high at 34.93 times as on 31 March, 2019 (Provisional) as against 35.95 times in FY2018. The net cash accruals to total debt stood at 0.05 times for FY2019 (Provisional) as against 0.29 times in FY2018.

#### Working capital intensive nature of operations

The operations of BEEL are working capital intensive market by Gross Current Asset (GCA) days of 221 days for FY2019 (Provisional) as against 229 days for FY2018. The inventory levels and debtor days for FY2019 (Provisional) stood at 6 days and 182 days respectively as against 2 days and 189 days for FY2018. The current ratio has reduced to 0.98 times as on March 31, 2019 (Provisional) as against 1.06 times as on March 31, 2018.

### Outlook: Stable

Acuité believes that the outlook for BEEL will remain Stable over the medium term on account of its established presence and experienced management in the air pollution equipment & industrial fans business. The outlook may be revised to Positive if the company 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 company registers significant decline in revenues and cash accruals or in case of stretched working capital cycle resulting in deterioration of its financial risk profile.

### Liquidity Position

BEEL has weak liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.20 crore to Rs.0.92 crore during the last three years through 2017-19. The cash accruals of the company are estimated to remain around Rs.0.15 crore – Rs.1.50 crore during 2020-22 while its repayment obligation are estimated to be around Rs.0.50 crore – Rs.4.50 crore. BEEL's operations are relatively working capital intensive as marked by gross current asset (GCA) days of 221 in FY 2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.4.01 crore as on March 31, 2019 (Provisional). The current ratio of BEEL stands at 0.98 times as on March 31, 2019 (Provisional). The company is likely to incur capex of Rs.0.04 crore – Rs.0.10 crore over the medium term which is expected to be funded by internal accruals. Acuite believes that the liquidity of the group is likely to remain weak over the medium term on account of low cash accruals and repayment obligations arising over the medium term.

### About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	53.85	50.62	35.47
EBITDA	Rs. Cr.	0.48	0.87	(2.20)
PAT	Rs. Cr.	0.12	0.83	(2.71)
EBITDA Margin	(%)	0.90	1.73	(6.20)
PAT Margin	(%)	0.22	1.64	(7.64)
ROCE	(%)	24.13	74.95	(102.80)
Total Debt/Tangible Net Worth	Times	34.93	35.95	344.86
PBDIT/Interest	Times	1.20	1.94	(1.41)
Total Debt/PBDIT	Times	3.58	1.65	(0.46)
Gross Current Assets (Days)	Days	221	229	249

### 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
20/08/2019	Term Loan	Long Term	3.00	ACUITE B/ Stable (Reaffirmed)
	Cash Credit	Long Term	0.65	ACUITE B / Stable (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A4 (Reaffirmed)
	Bank Guarantee / Letter of Guarantee	Short Term	1.05	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Assigned)
	Inland / Foreign Guarantee	Short Term	9.75	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	0.05	ACUITE B/ Stable (Reaffirmed)
02/08/2019	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 / Letter of 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 Loan	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.65	ACUITE B/ Stable (Reaffirmed)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE B/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.32	ACUITE A4 (Reaffirmed)
Bank Guarantee / Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.02	ACUITE A4 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Reaffirmed)
Inland / Foreign Guarantee	Not Applicable	Not Applicable	Not Applicable	9.75	ACUITE A4 (Reaffirmed)

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### About Acuité Ratings & Research:

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