

Press Release

Batliboi Environmental Engineering Limited

September 24, 2020



Rating Upgraded and Reaffirmed

Total Bank Facilities Rated*	Rs.25.25 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Upgraded from ACUITE B/Stable)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE B+** (**read as ACUITE B plus**) from '**ACUITE B** (**read as ACUITE B**) and reaffirmed the short-term rating at '**ACUITE A4** (**read as ACUITE A four**) on the Rs.25.25 crore bank facilities of Batliboi Environmental Engineering Limited. The outlook is '**Stable**'.

The upgrade in the rating is on account of improvement in the overall business risk profile, marked by growth in operating income along with operating and net profitability margins. The rating also factors the established track record of operations and vast experience of the promoters. Further, the upgrade also factors the established brand name in the market, especially with its association with renowned client portfolio, which includes JSW Steel, Thermodyne Technologies Private Limited, to name a few.

About the Company

Mumbai-based, BEEL was incorporated in 1959 and is engaged in the manufacturing and trading of air pollution control equipment's and industrial fans. The directors Mr. Kaushik Kantilal Shah, Mr. Parmeshwaran Krishnan Nair and Mr. Kabir Nirmal Bhogilal, have more than two decades of experience in the said line of business.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of BEEL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experience of promoters and established track record of operations along with reputed clientele**

BEEL, incorporated in 1959 is in the aforementioned line of business since more than 2 decades now and the management has built strong relations with its customers and suppliers that has helped them report an overall turnover of Rs. 60.63 Cr in FY2020 (Prov). The Company also exports to nations like Uganda, Kenya, Sri Lanka, Malaysia, Nepal, Philippines, Indonesia and Bangladesh although exports account for less than 5 percent of the total turnover. The Company has reported a turnover of Rs.21.32 Cr in 5MFY2021; the sales remain impacted on account of the outbreak of COVID-19 and subsequent lockdown. Acuite believes that the business is expected to benefit from its established presence in the aforementioned industry and the director's demonstrated ability; however, operations are expected to remain impacted in the near term due to slowdown of the market, leading to reduced demand caused by outbreak of COVID-19.

- **Government support towards curbing air pollution**

Pollution control norms laid out by the government are getting more stringent every year. Protection of the 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 equipment's and expand their business by adding more clients to their portfolio.

Weaknesses

- **Working capital intensive operations**

BEEL's operations are working capital intensive as highlighted by GCA days of 214 days in FY2020 (Prov) against 215 days in FY2019 mainly influenced due to high debtor days. The debtor's days stood at 167 days in FY2020 (Prov) against 182 days in FY2019 due to retention money held with the customers for a long period of time till

the project is completed. The inventory days stood at 11 days in FY2020 (Prov) against 6 days in FY2019. The invoice was raised for the goods, but the company was unable to bill & dispatch the goods in March, 2020 and the same was done in July, 2020 due to the outbreak of COVID-19 and subsequent lockdown in the country. However, the working capital limits remained utilized moderately at ~22 percent through the last four months ending in July 2020. Acuité believes that the working capital operations are expected to remain at the same level with respect to the nature of the business cycle and will remain a key rating sensitivity factor.

• **Weak financial risk profile**

BEEL's financial risk profile is weak marked by high gearing (debt to equity ratio), high total outside liabilities to total net worth (TOL/TNW), although partly supported by moderate debt protection metrics. The gearing has stood at 2.50 times as on 31st March, 2020 (Prov) against 4.27 times as on 31st March, 2019. TOL/TNW stood high at 25.15 times as on 31st March, 2020 (Prov) against 36.69 times as on 31st March, 2019. The tangible net worth of the company stood modest at Rs.1.58 Cr as on 31st March, 2020 (Prov) against Rs.1.03 Cr as on 31st March, 2019.

Debt protection metrics of interest coverage ratio and net cash accruals to total debt are at 1.45 times and 0.12 times, respectively for FY2020 (Prov). Acuité believes that the financial risk profile of the company is expected to remain weak in the medium term on account of modest net worth and moderate debt protection metrics.

Rating Sensitivities

- Improvement in the scale of operations with improvement in its operating income
- Any stretch in working capital operations leading to the deterioration of its financial risk profile and liquidity

Material Covenants

None

Liquidity: Weak

BEEL has weak liquidity reflected by working capital-intensive operations evident from GCA days of 214 days in FY2020 (Prov) against 215 days in FY2019. The company has reported cash accruals of Rs.0.64 Cr in FY2020 (Prov.) against moderate long-term repaying obligations. It is expected to generate cash accruals in the range of Rs.0.48 Cr to Rs.0.99 Cr over the medium term, against moderate repayment obligations. The working capital limits remain utilized at ~22 per cent through four months ending July - 2020. The company has unencumbered cash and bank balances of Rs.1.89 Cr as on 31st March, 2020 (Prov). The current ratio stood at 1.07 times as on 31st March, 2020 (Prov). The company has availed COVID facility of Rs.0.20 Cr term loan which is sanctioned but is yet to be disbursed. Acuité believes that liquidity profile is expected to remain weak on account of working capital-intensive operations and low net cash accruals against moderate repayment obligations for the medium term.

Outlook: Stable

Acuité believes that BEEL will maintain 'Stable' outlook in the medium term on account of the long track record of operations and experienced management in the said industry. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenues and profitability while registering an improvement in its liquidity position and working capital cycle. Conversely, the outlook may be revised to 'Negative' if in case of any further deterioration in the financial risk profile leading to further deterioration of the liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	60.63	53.87
PAT	Rs. Cr.	0.55	0.12
PAT Margin	(%)	0.91	0.22
Total Debt/Tangible Net Worth	Times	2.50	4.27
PBDIT/Interest	Times	1.45	1.20

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

India Ratings & Research, vide its press release dated May 23, 2018 had denoted the rating of BATLIBOI ENVIRONMENTAL ENGINEERING LIMITED as 'IND B-/IND A4; ISSUER NOT CO-OPERATING' on account of lack of adequate information required for monitoring the ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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
05-Jul-2019	Term Loan	Long Term	5.00	ACUITE B/ Stable (Reaffirmed)
	Cash Credit	Long Term	0.65	ACUITE B/ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.01	ACUITE B/ Stable (Reaffirmed)
	Letter of Credit	Short Term	6.32	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	3.02	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	9.75	ACUITE A4 (Reaffirmed)
20-Aug-2018	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	Short Term	1.05	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	9.75	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	0.05	ACUITE B/ Stable (Reaffirmed)
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 Loan	Not Available	Not Applicable	Not Available	5.00	ACUITE B+/ Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.65	ACUITE B+/ Stable (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE B+/ Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.34	ACUITE A4 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	9.75*#	ACUITE A4 (Reaffirmed)

*Inland / Foreign Guarantee includes sublimit of Specific Guarantee (Financial) to the extent of Rs.1.71 crore.

#Inland / Foreign Guarantee can be used as 50 percent BG and 50 percent LC.

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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