

## Press Release

Batliboi Environmental Engineering Limited

December 17, 2021

Rating Upgraded & Withdrawn



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.00		ACUITE A4+   Upgraded
Bank Loan Ratings	3.44		ACUITE A4+   Upgraded & Withdrawn
Bank Loan Ratings	9.25	ACUITE BB-   Stable   Upgraded	
Total	25.25	-	-

\*Refer Annexure for details

### Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.25.25 Cr bank facilities of Batliboi Environmental Engineering Limited (BEEL). The outlook is '**Stable**'.

Acuite has also upgraded & withdrawn the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.3.44 crore bank facilities of BEEL as per the withdrawal request from BEEL and no dues certificate from the banker in accordance with Acuite's withdrawal Policy.

### Rationale for rating upgrade:

The upgrade in the rating reflects the improvement in the revenues in FY2021, improvement in operating & profitability margins and moderate financial risk profile. The rating also reflects the adequate liquidity position marked by adequate cash accruals against moderate repayment obligations and healthy order book position which provides adequate revenue visibility over the medium term.

### About the Company

Mumbai-based, BEEL was incorporated in 1959 and is engaged in the manufacturing of air pollution control equipment's and industrial fans. The manufacturing unit for Industrial Fans is located at Pune and Surat. In case of Air Pollution Control Equipment's, the manufacturing unit is located all over India. The directors Mr. Kaushik Kantilal Shah, Mr. Edwyn William Rodrigues, Mr. Kabir Nirmal Bhogilal and Mr. Sanjiv Harischandra Joshi have more than two decades of experience in the said line of business.

### Analytical Approach

Acuite has taken a 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.78.89 crore in FY2021 against Rs.60.63 crore in FY2020. The company deals with reputed clients such as JSW Steel Limited, Thermodyne Technologies Pvt. Ltd, Epsilon Carbon Private Limited, etc. to name a few. The Company also exports to nations like Uganda, Kenya, Sri Lanka, Malaysia, Nepal, Philippines, Indonesia etc. although exports account for less than 5 percent of the total turnover. The Company has reported a turnover of Rs.33.36 crore in 8MFY2022. The company has unexecuted orders in hand worth Rs.54 crore which is expected to be executed by March 31, 2022. This gives adequate revenue visibility over the medium term.

Acuité believes that the experience of the management in the industry is likely to favorably impact the business risk profile of the company over the near to medium term.

### >Moderate financial risk profile

The financial risk profile of BEEL is moderate marked by improving gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and moderate debt protection metrics. The gearing stood at 1.93 times as on March 31, 2021 against 3.46 times as on March 31, 2020 on account of plough back of profits to reserves. TOL/TNW stood at 12.20 times as on March 31, 2021 against 32.72 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.3.16 crore as on March 31, 2021 against Rs.1.18 crore as on March 31, 2020. The modest net worth is majorly due to the negative reserves which stood at Rs.(15.54) crore as on March 31, 2021 against Rs.(17.52) crore as on March 31, 2020. The company was dealing in another business vertical i.e. Sewage Water Treatment Plant from 1998-2008. This was their major business before Industrial Fans and Air Pollution Control Equipment's segment. However, due to accumulated losses the management decided to close down this business. This accumulated losses amounted to Rs.18-19 crore which is being repaid over the years. This will be fully repaid in the next 5-6 years. The total debt of Rs.6.08 crore as on March 31, 2021 mainly consists of long-term debt of Rs.0.80 crore, short-term debt of Rs.0.53 crore and unsecured loans of Rs.4.75 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 2.69 times and 0.34 times respectively in FY2021; while DSCR stood at 2.31 times in FY2021.

The company has availed covid loan (WCTL-ECLGS) of Rs.0.20 crore as on June, 2020. The repayment is expected to be completed by June, 2024.

Acuité believes that the financial risk profile of the company is expected to remain moderate on account of modest net worth backed by moderate cash accruals vis- à-vis moderate debt repayment obligations and moderate debt protection metrics.

### >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 working capital operations have improved but are still intensive marked by Gross Current Asset days (GCA) of 172 days in FY2021 against 206 days in FY2020. The inventory days stood at 0 days in FY2021 against 12 days in FY2020. When the company receives order, they prepare manufacturing drawing and gives it to their vendors. The vendors prepare the fans

according to company's specifications. Once the fan is ready, vendors raises the invoice and accordingly as per company's dispatch instructions the product is directly delivered to the customers. So, the company doesn't have any inventory at their end. The debtors' days stood at 161 days in FY2021 against 167 days in FY2020. The credit period given to customers is around 60-90 days. However, the debtors' days increased in FY2021 mainly due to the retention money. In case of Air Pollution Control Equipment's segment, along with the order, the company gets 10% advance on submission of advance BG, 80% is received on pro-rata billing and remaining 10% is received after commissioning of the project. Each invoice has 10% retention money and it takes 1.5-2 years to receive. So, this debtors gets accumulated. In FY2021, out of Rs.79 crore, Rs.35 crore revenues was generated from the Air Pollution Control Equipment's segment. In case of Industrial Fans segment, there is no such issues and the company gets this 10% amount against submission of Performance BG. Also, another reason for increase in debtors is because one of their customer, BGR Energy Systems Ltd didn't give the 80% money as well. It was received now after 1.5 years. The creditors' days stood at 139 days in FY2021 against 149 days in FY2020. The company enjoys a credit period of 45-90 days from their suppliers. The creditors are stretched due to a back-to-back payment mechanism followed by the management. However, working capital limits remains utilized at 80-90 percent for last 6 months ended November, 2021.

Acuité believes that BEEL's working capital intensive operations would be mitigated by the availability of adequate liquidity over the medium term.

### >Customer concentration risk

The company faces high customer concentration risk as it derives around 70% of the sales from JSW Steel Ltd. and Epsilon Carbon Private Limited in FY2021. Hence, the high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers.

### Liquidity Position: Adequate

BEEL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.0.20 crore – Rs.2.05 crore during the last three years through FY2019-21 against moderate repayment obligations in the range of Rs.0.10 crore – Rs.0.70 crore during the same period. It is expected to generate cash accruals in the range of Rs.2.14 crore – Rs.3.39 crore over the medium term, against moderate repayment obligations in the range of Rs.0.12 crore – Rs.2.67 crore. Unencumbered cash and bank balances stood at Rs.1.71 crore as on March 31, 2021 with a current ratio of 1.20 times in the same period. Liquid investments stood at Rs.1.66 crore as on March 31, 2021. The working capital limits remained utilized at ~80-90 percent for last trailing 6 months ended November, 2021.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

### Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

### Material covenants

None

### Outlook: Stable

Acuité believes that BEEL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	78.89	60.63
PAT	Rs. Cr.	1.97	0.16
PAT Margin	(%)	2.50	0.26
Total Debt/Tangible Net Worth	Times	1.93	3.46
PBDIT/Interest	Times	2.69	1.17

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Sep 2020	Bills Discounting	Short Term	9.75	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	0.65	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
	Bank Guarantee	Short Term	4.34	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.01	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
	Term Loan	Long Term	5.00	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
05 Jul 2019	Letter of Credit	Short Term	6.32	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.01	ACUITE B   Stable (Reaffirmed)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	0.65	ACUITE B   Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE B   Stable (Reaffirmed)
	Bills Discounting	Short Term	9.75	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	3.02	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE B   Stable (Reaffirmed)

20 Aug 2018	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	9.75	9.75	ACUITE A4+   Upgraded ( from ACUITE A4 )
Bank of Maharashtra	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	3.50	3.50	ACUITE A4+   Upgraded ( from ACUITE A4 )
Bank of Maharashtra	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.44	0.00	ACUITE A4+   Upgraded & Withdrawn ( from ACUITE A4 )
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.65	0.65	ACUITE BB-   Stable   Upgraded ( from ACUITE B+ )
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	0.50	ACUITE A4+   Upgraded ( from ACUITE A4 )
Bank of Maharashtra	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.25	2.25	ACUITE A4+   Upgraded ( from ACUITE A4 )
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.12	5.12	ACUITE BB-   Stable   Upgraded ( from ACUITE B+ )
Bank of Maharashtra	Not Applicable	Term Loan	05-03-2019	15.10	26-06-2022	1.50	1.50	ACUITE BB-   Stable   Upgraded ( from ACUITE B+ )

Bank of Maharashtra	Not Applicable	Term Loan	10-12-2021	11.30	03-12-2023	1.80	1.80	) ACUITE BB-   Stable   Upgraded ( from ACUITE B+ )
Bank of Maharashtra	Not Applicable	Working Capital Term Loan	22-06-2020	7.50	22-06-2024	0.18	0.18	ACUITE BB-   Stable   Upgraded ( from ACUITE B+ )

Note:

1. Bank Guarantee of Rs.9.75crore includes sublimit of Specific Inland Bank Guarantee (Disputed) (Financial) to the extent of Rs.1.71crore.
2. Withdrawal amount is not included in total facilities rated.



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### About Acuité Ratings & Research

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