

Press Release

Batliboi Environmental Engineering Limited

February 01, 2023

Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.25	ACUITE B+ Stable Downgraded	-
Bank Loan Ratings	16.00	-	ACUITE A4 Downgraded
Total Outstanding Quantum (Rs. Cr)	25.25	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for Rating Downgrade

The rating downgrade is on account of deterioration in the operating performance and financial risk profile of the company marked by decline in scale of operations, increase in overall gearing and elongated working capital cycle. The operating income deteriorated to Rs. 57.56 Cr. in FY22 as against Rs. 78.89 Cr. in FY21. The gross current asset days of the company deteriorated to 219 days as on March 31, 2022 as against 172 days as on March 31, 2021. The overall gearing of the company rose to 76.32 times as on March 31, 2022 as against 1.93 times as on March 31, 2021. The rise in gearing levels is mainly on account of eroded networth due to losses in FY22.

About the Company

Mumbai-based, BEEL was incorporated in the year 1959 and is promoted by Mr. Kaushik Kantilal Shah, Mr. Edwyn William Rodrigues, Mr. Kabir Nirmal Bhogilal and Mr. Sanjiv Harischandra Joshi. The company is engaged in design, selection, engineering, fabrication, supply, installation, and commissioning of air and water pollution control equipment and systems for a variety of industrial and municipal applications. The company deals with dedicated vendors in Pune.

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

- **Experienced management and established track record of operation**

BEEL was incorporated in the year 1959 and is currently promoted by Mr. Kaushik Kantilal Shah, Mr. Edwyn William Rodrigues, Mr. Kabir Nirmal Bhogilal and Mr. Sanjiv Harischandra Joshi. The company has a presence over six decades in the industry. The current promoters have more than two decades of experience in the similar line of business. The top management is ably supported by a well-qualified and experienced team of the second line of management. The management has built strong relations with its customers and suppliers and deals with reputed clientele like SW Steel Limited, Thermodyne Technologies Pvt. Ltd, Epsilon Carbon Private Limited, etc. The operating income deteriorated to Rs. 57.56 Cr. in FY22 as against Rs. 78.89 Cr. in FY21. . The company has unexecuted orders in hand worth Rs. 100 Cr as of January 2023. This gives moderate revenue visibility over the near to medium term

Acuité believes that SSPL will continue to benefit from the promoter's established presence in the industry 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 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

- **Decline in scale of operations**

BEEL's operating income deteriorated to Rs. 57.56 Cr. in FY22 as against Rs. 78.89 Cr. in FY21. The operating profitability deteriorated to (2.45) percent in FY22 as against 4 percent in FY21. . The decrease is majorly on account of increase in material cost as the steel and cement prices were high The company' net profitability saw a deterioration to (5.30) percent in FY22 as against 2.50 percent in FY21.

Acuite believes the ability of BEEL to scale up operations while maintaining its profitability margins will be a key rating monitorable.

- **Average Financial Risk Profile**

BEEL has a below average financial risk profile marked by low network , high gearing and low coverage indicators. The tangible network stood at Rs. 0.11 Cr as on March 31,2022 as against Rs. 3.06 Cr as on March 31,2021. The network eroded due to accretion of losses to reserves. BEEL's overall gearing rose to 76.32 times as on 31 March, 2022 as against 1.93 times as on 31 March, 2021. The total outside liabilities to tangible net worth (TOL/TNW) of the company deteriorated to 365.35 times as on March 31, 2022 as against 12.20 times as on March 31, 2021. The coverage ratios of the company stood low with Interest Coverage Ratio (ICR) of (0.81) times in FY22 as against 2.69 times in FY21. The Debt Service Coverage Ratio (DSCR) deteriorated to (0.77) times in FY22 as against 2.31 times in FY21.

Acuité expects the financial risk profile to remain average over the medium term

- **Elongation of Working Capital Cycle**

BEEL has working capital intensive nature of operations. The Gross Current Asset (GCA) days increased to 219 days as on March 31, 2022 as against 172 days as on March 31, 2021. The GCA days are driven by debtor days. The debtor days stood high at 197 days as on March 31, 2022 as against 161 days as on March 31, 2021. The stretch in debtor days is mainly due to the retention money which the customers pay over a period of time. The receivables from the entity account for ~ 39.84 % of the total receivables of LBK as on March 31, 2022.. The inventory days stood at 5 days as on March 31, 2022 as against 0 days as on March 31, 2021. The creditor days increased to 153 days as on March 31, 2022 as against 139 days as on March 31, 2021. The average bank limit utilisation stood at ~10-20 percent for the six months period ended December, 2022.

Acuite believes BEEL's ability to restrict further elongation in its working capital cycle will be a key rating sensitivity.

Rating Sensitivities

- Improving scale of operations while maintaining profitability margins
- Restricting further elongation of working capital cycle
- Further deterioration in liquidity position

Material covenants

None

Liquidity Position

Poor

BEEL' liquidity position is poor marked by modest net cash accruals of Rs. 2-2.5 Cr in FY21-22 against maturing debt obligations of Rs. 0.1-.5 in FY20-21. The company is expected to generate net cash accruals of Rs. 2-3 Cr in FY23-24 as against maturing debt obligations of Rs. 0.5-0.8 Cr over the same period. The average bank limit utilisation stood at ~10-20 percent for the six months period ended December, 2022. Furthermore, the company maintained unencumbered cash and bank balances of Rs. 1.68 Cr as on March 31, 2022. The current ratio stood moderate at 1.14 times as on March 31, 2022.

Outlook: Stable

Acuite 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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	57.56	78.89
PAT	Rs. Cr.	(3.05)	1.97
PAT Margin	(%)	(5.30)	2.50
Total Debt/Tangible Net Worth	Times	76.32	1.93
PBDIT/Interest	Times	(0.81)	2.69

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

India Ratings vide its Press Release dated 8/05/2017 declared BEEL as "Issuer Not Co-operating"

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Dec 2021	Term Loan	Long Term	1.50	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	9.75	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	3.44	ACUITE A4+ (Withdrawn)
	Term Loan	Long Term	1.80	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Cash Credit	Long Term	0.65	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Upgraded from ACUITE A4)
	Working Capital Term Loan	Long Term	0.18	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Letter of Credit	Short Term	0.50	ACUITE A4+ (Upgraded from ACUITE A4)
	Proposed Bank Facility	Long Term	5.12	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	9.75	ACUITE A4 Downgraded
Bank of Maharashtra	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE A4 Downgraded
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.65	ACUITE B+ Stable Downgraded
Bank of Maharashtra	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.25	ACUITE A4 Downgraded
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A4 Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.12	ACUITE B+ Stable Downgraded
Bank of Maharashtra	Not Applicable	Term Loan	12 Oct 2021	11.30	12 Mar 2023	Simple	1.80	ACUITE B+ Stable Downgraded
Bank of Maharashtra	Not Applicable	Term Loan	03 May 2019	15.10	26 Jun 2022	Simple	1.50	ACUITE B+ Stable Downgraded
Bank of Maharashtra	Not Applicable	Working Capital Term Loan	22 Jun 2020	7.5	22 Jun 2024	Simple	0.18	ACUITE B+ Stable Downgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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