



Press Release
Batliloi Environmental Engineering Limited
April 30, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.75	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	22.50	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	25.25	-	-

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 Batliloi Environmental Engineering Limited (BEEL). The outlook is '**Stable**'.

Rationale for rating upgrade:

The upgrade in the rating considers long standing experience of BEEL's management, improving scale of operations, and moderate financial risk profile. BEEL's operating income grew to Rs. 136.36 crore in FY23, posting a growth rate of 137 percent y-o-y, primarily supported by increased order flow. Further, the company is estimated to register revenue of Rs. 141 crore for FY24. The operating margin of the company improved to 8.32 percent in FY23 from -2.45 percent in FY2022, and is estimated to remain in the similar range over the medium term. Going forward, the company's operations are expected to improve on account of the merger with "Batliloi Limited," which is expected to be completed by February-March 2025. The rating also draws comfort from the adequate liquidity position, marked by adequate cash accruals against nominal repayment obligations. The ratings, however, remains constrained due to the intensive nature of working capital operations.

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 in Pune and Surat. In the 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.

Unsupported Rating

Not applicable

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 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 been in the industry for more than 60 years. The current promoters have more than two decades of experience in a 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 clients like JSW Steel Limited, Thermodyne Technologies Pvt. Ltd., Epsilon Carbon Private Limited, etc. The operating income improved to Rs. 136.36 crore in FY23 from Rs. 57.56 crore in FY22. Going forward, the company's operations are expected to improve on account of the merger with "Batliboi Limited."

Moderate financial risk profile:

Low net worth, comfortable gearing and debt protection metrics mark the company's moderate financial risk profile. Net worth of the company improved to Rs.9.55Cr as of March 31, 2023 from Rs.0.11Cr as of March 31, 2022 due to accretion of profits to reserves. Net worth of BEEL is on lower side due to accumulated losses. The gearing improved to 0.69 times as of March 31, 2023 from 76.29 times as of March 31, 2022. Improvement in gearing is due to improvement in net worth. Total Outside Liabilities/ Tangible Net Worth (TOL/TNW) stood at 6.09 times as of March 31, 2023 against 365.32 times of March 31, 2022. The debt protection metrics of the company are comfortable marked by Interest Coverage Ratio of 6.27 times and Debt Service Coverage Ratio of 4.86 times as of March 31, 2023. Debt to EBITDA stood at 0.57 times as of March 31, 2023. Acuite believes that the financial risk profile of the company will improve going forward on account of estimated improvement in operating performance.

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 Management:

BEEL's working capital operations are intensive in nature, marked by a gross current assets (GCA) of 160 days in FY23 as against 219 days in FY22. This is primarily due to high debtor days. The company's debtor days stood at 153 days in FY23 as against 197 days in FY22. The collection terms are around 45–60 days. The company charges 10 percent advance, 80 percent as per pro rata of work completed, and the remaining 10 percent is retention money, and therefore, the debtor days are stretched. Industrial fans take around 4 months, whereas air pollution systems take around 1.5–3 years. The inventory days stood low as the company outsourced the manufacturing work to the vendors by sharing the design and technology of the project. Furthermore, the creditors are stretched due to a back-to-back payment mechanism followed by the management, resulting in higher creditor days of 129 days in FY23 against 153 days in FY22. However, the fund-based working capital limits remained unutilized in the past six months ending December 2023. Acuite believes that BEEL's working capital operations will remain at similar levels over the medium term.

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

Liquidity Position: Adequate

BEEL's liquidity position is adequate, supported by sufficient net cash accruals (NCA) and moderate cash and bank balances. The company has NCA of Rs. 9.52 crore against the nominal debt repayment obligations of Rs. 0.50 crore in FY23. BEEL's unencumbered cash and bank balances stood at Rs. 1.17 crore as of March 31, 2023, providing comfort towards liquidity. The current ratio stood moderate at 1.25 times as of March 31, 2023. The cash accruals are estimated to remain in the range of Rs. 9.5–12 crore, which would comfortably service the expected nominal debt repayment range of Rs. 0.20–0.4 crore for the same period.

The fund based working capital limits were unutilized during the past six months ending December 2023. Acuite believes that the liquidity position of the group will remain adequate in the medium term on account of sufficient NCA.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	136.36	57.56
PAT	Rs. Cr.	9.44	(3.05)
PAT Margin	(%)	6.92	(5.30)
Total Debt/Tangible Net Worth	Times	0.69	76.29
PBDIT/Interest	Times	6.27	(0.81)

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <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
01 Feb 2023	Cash Credit	Long Term	0.65	ACUITE B+ Stable (Downgraded from ACUITE BB- Stable)
	Term Loan	Long Term	1.50	ACUITE B+ Stable (Downgraded from ACUITE BB- Stable)
	Proposed Long Term Bank Facility	Long Term	5.12	ACUITE B+ Stable (Downgraded from ACUITE BB- Stable)
	Working Capital Term Loan	Long Term	0.18	ACUITE B+ Stable (Downgraded from ACUITE BB- Stable)
	Term Loan	Long Term	1.80	ACUITE B+ Stable (Downgraded from ACUITE BB- Stable)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Downgraded from ACUITE A4+)
	Bank Guarantee (BLR)	Short Term	9.75	ACUITE A4 (Downgraded from ACUITE A4+)
	Letter of Credit	Short Term	2.25	ACUITE A4 (Downgraded from ACUITE A4+)
	Bank Guarantee (BLR)	Short Term	3.50	ACUITE A4 (Downgraded from ACUITE A4+)
17 Dec 2021	Term Loan	Long Term	1.80	ACUITE BB- Stable Upgraded
	Working Capital Term Loan	Long Term	0.18	ACUITE BB- Stable Upgraded
	Proposed Long Term Bank Facility	Long Term	5.12	ACUITE BB- Stable Upgraded
	Term Loan	Long Term	1.50	ACUITE BB- Stable Upgraded
	Cash Credit	Long Term	0.65	ACUITE BB- Stable Upgraded
	Bank Guarantee (BLR)	Short Term	3.50	ACUITE A4+ Upgraded
	Bank Guarantee/Letter of Guarantee	Short Term	3.44	ACUITE A4+ (Upgraded & Withdrawn)
	Letter of Credit	Short Term	2.25	ACUITE A4+ Upgraded
	Bank Guarantee (BLR)	Short Term	9.75	ACUITE A4+ Upgraded
	Letter of Credit	Short Term	0.50	ACUITE A4+ Upgraded

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.75	ACUITE A4+ Upgraded (from ACUITE A4)
Bank of Maharashtra	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A4+ Upgraded (from ACUITE A4)
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.20	ACUITE BB- Stable Upgraded (from ACUITE B+)
Bank of Maharashtra	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.25	ACUITE A4+ Upgraded (from ACUITE A4)
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE A4+ Upgraded (from ACUITE A4)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.37	ACUITE BB- Stable Upgraded (from ACUITE B+)
Bank of Maharashtra	Not avl. / Not appl.	Working Capital Term Loan	22 Jun 2020	Not avl. / Not appl.	22 Jun 2024	Simple	0.18	ACUITE BB- Stable Upgraded (from ACUITE B+)

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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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