Press Release

Blue Whale Machinery Technologies Private Limited

March 09, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 20 crore
Long Term Rating	SMERA BB/ Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

** Refer Annexure for details*

Rating Rationale

SMERA has assigned a long term rating of **'SMERA BB ' (read as SMERA double B)** and the short term rating of **'SMERA A4+' (read as A four Plus)** to the above mentioned bank facilities of Rs. 20 Crore . The outlook is **'Stable'**.

Incorporated in November 2007, Blue Whale Machinery Technologies Private Limited (BWMTPL) is a Bangalore based company engaged in trading and servicing of construction equipments like horizontal directional drillers, micro-tunelling, etc. and other construction equipments and also provides tools and accessories for the same. The promoter, Mr. Deepak D Mehta has an experience of more than a decade in this line of business.

BWMTPL's imports constitute ~50% from countries like China and US and nearly 90% of products are been sold to domestic clients from Tamil Nadu, Maharashtra, Karnataka, etc. which includes Reliance Communication Ltd, Reliance Jio Infocomm Ltd., J&J Constructions, Varesh Enterprises, M.H Constructions, Sri Sai Constructions, etc. Its customers are mainly from the telecom industry followed by gas, sewage and water management industries.

List of key rating drivers and their detailed description:

Strengths

Experienced management:

Mr. Deepak D Mehta possesses experience of more than a decade in the industry. Over the years, the company has been able to establish comfortable relationships with their key suppliers and customers.

Healthy profit margins

BWMTPL's operating margin stood at 7.54% in FY2017 as compared to 8.52% in FY2016 and 7.79% in FY2015. Profit after tax is showing an upward trend and PAT margin stood at 2.70% in FY 2017 compared to 2.44% in FY 2016 and 2.36% in FY2015. The healthy profitability is primarily on account of spare parts and servicing which provides better margins as compared to dealing in construction equipment. Trading constitute 90% of total revenue whereas remaining 10% is booked under service charges.

Comfortable financial risk profile

The financial risk profile of the company is marked by low networth, comfortable gearing and healthy debt protection measures. In FY 2017 , the networth levels of the company has increased to Rs. 5.31 crores as on March 31, 2017 from Rs. 1.94 crores in the previous year, majorly on account of infusion of Rs. 2.67 crores of unsecured loans from promoters. SMERA has treated the unsecured loans as quasi equity based on an undertaking that the same would be maintained in the business over the medium term. The gearing levels (debt to equity ratio) of the company stood at 0.97 times as on March 31, 2017 as against 1.98 times as on March 31, 2016. The total debt of Rs. 5.14 crore, consists of corporate home loans of Rs. 2.18 crore, vehicle loans of Rs. 0.10 crore, cash credit of Rs. 1.26 crore as on March 31, 2017. The interest coverage ratio (ICR) stood at 3.13 times and debt service coverage ratio (DSCR) at 2.57 times as on March 31, 2017as compared to ICR at 2.23 times and DSCR at 1.91 times on March 31, 2016.

Weakness

Modest scale of operations

The scales of operations of the company are at moderate levels with revenues of around Rs. 17.01 crores in FY2017 as against Rs. 15.02 crores in FY2016. In the current financial year, company has achieved revenue of Rs. 15 crores till 31 January, 2018 (provisional).

Working capital intensive nature of operations

BWMTPL has working capital intensive operations with gross current assets (GCA) of 264 days in FY2017 as against 185 days in FY2016. The inventory days stood at 64 in FY2017 as against 89 in FY2016 while debtor days stood at 157 in FY2017 as compared to 75 days in FY2016, mainly due to high orders received towards the end of financial year.

Applicable Criteria

- Trading entities- https://www.smera.in/criteria-trading.htm
- Manufacturing Entities- https://www.smera.in/criteria-manufacturing.htm
- Application of Financial Ratios and Adjustments: https://www.smera.in/criteria-fin-ratios.htm
- Default Recognition: https://www.smera.in/criteria-default.htm

Outlook: Stable:

SMERA believes that Blue Whale Machinery Technologies Private Limited will remain 'Stable" and the company will be able to maintain its credit profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the entity receives higher than expected revenues and profit margins. The outlook may be revised to 'Negative' in case significant decline in firms revenue and profitability or in case of higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.01	15.02	13.35
EBITDA	Rs. Cr.	1.28	1.28	1.04
PAT	Rs. Cr.	0.46	0.37	0.32
EBITDA Margin	(%)	7.54	8.52	7.79
PAT Margin	(%)	2.70	2.44	2.36
ROCE	(%)	13.61	21.78	40.66
Total Debt/Tangible Net Worth	Times	0.97	1.98	3.07
PBDIT/Interest	Times	3.13	2.23	2.24
Total Debt/PBDIT	Times	3.95	2.94	3.37
Gross Current Assets (Days)	Days	264	185	210

Status of non-cooperation with previous CRA: CRISIL has stated the issuer as non cooperative and reaffirmed the rating assigned as BB-/Stable/A4+ to the bank facility of Rs. 10 crore for Blue Whale Machinery Technologies Private Limited (previsouly known as Blue Whale Construction Technologies Private Limited) on January 31, 2018.
Any other information: Not Applicable

Rating History for the last three years:

Name of Facilities	2018				2017		2016		2015	
	Scale	Date	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	28-02-2018	3.00	SMERA BB/Stable	-	-	-	-	-	-
Proposed Cash Credit	LT	28-02-2018	4.00	SMERA BB/Stable	-	-	-	-	-	-
Letter of Credit	ST	28-02-2018	4.00	SMERA A4+	-	-	-	-	-	-
Proposed Letter of Credit	ST	28-02-2018	9.00	SMERA A4+	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	25-05-2017	-	-	3.00	SMERA BB/ Stable
Letter of Credit	25-05-2017	-	-	4.00	SMERA A4+
Proposed Cash Credit	-	-	-	4.00	SMERA BB/ Stable
Proposed Letter of Credit	-	-	-	9.00	SMERA A4+

Note on complexity levels of the rated instrument: https://www.smera.in/criteria-complexity-levels.htm

Contacts:

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.