

Press Release

Bajrang Power Industries LLP

January 28, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 7.00 crore bank facilities of Bajrang Power Industries LLP (BPIL). The outlook is '**Stable**'.

Dholpur, Rajasthan based Bajrang Power Industries LLP (BPIL) was established in 2014. BPIL is engaged in manufacturing of PCC Poles used for lighting and electrification purposes. The current manufacturing capacity for BPIL stands at 105,120 units. The partners of BPIL are Mr. Naveen Kumar Poddar, Mr. Dhruv Maheshwari and Mrs. Tripti Maheshwari. Bajrang Wire Products (India) Private Limited (BWPL) was incorporated in 1993 as a private limited company by Mr. V.K. Maheshwari. Mr. V.K. Maheshwari is supported by second line of management, Mr. Dhruv Maheshwari, and Mr. Ashish Maheshwari. BWPL is engaged in the manufacturing of various types of wires such as ACSR Wires, High Tensile Steel Wires, 3 Ply Wires, GSS Wires to name a few.

Analytical Approach

Acuite has consolidated (full consolidation) business and financial risk profiles of Bajrang Power Industries LLP (BPIL), Bajrang Wire Products (India) Private Limited (BWPL), Bajrang Infra Industries (BII), M/s Bajrang Prestress Industries (BPI), Bajrang Pole Industries LLP (BPL) and M/s Bajrang Concrete Industries (BCI) together referred to as the 'Bajrang Group'. The consolidation is in view of the common management and significant operational and financial linkages.

Key Rating Drivers

Strengths

• Experienced management:

The group is engaged in the manufacture of PCC Poles and various types of wires used for lighting and electrification purposes. Bajrang group is promoted by Mr. V.K. Maheshwari. He is supported by second line of management, Mr. Dhruv Maheshwari, and Mr. Ashish Maheshwari. The promoters of the group have over two decades of experience in wire industry. Acuite believes that the company will benefit from its experienced management which helps the group maintain long standing relations with customers and suppliers.

• Moderate financial risk profile:

The financial risk profile of Bajrang Group is moderate marked by moderate net worth, debt protection metrics and leverage ratios. The tangible net worth of the group stood at Rs. 53.04 crore as on 31 March, 2018 as against Rs. 41.79 crore as on 31 March, 2017. Gearing (debt-equity) stood at 0.97 times as on 31 March, 2018 as against 1.08 times in the previous year. The total debt as on 31 March, 2018 of Rs.51.33 crore comprises unsecured loan of Rs.0.99 crore, working capital limits of Rs.34.61 crore, and term loan outstanding of Rs.15.74 crore. The coverage indicators of the group are healthy marked by interest coverage ratio (ICR) at 3.55 times in FY2018 as against 2.34 times in the previous year. The debt service coverage ratio (DSCR) stood at 2.99 times in FY2018 as compared to 2.17 times in FY2017. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 1.45 times as on 31 March, 2018 as against 1.72 times in the previous year. Acuite believes that the financial risk profile of the group will remain moderate in the absence of major debt funded capex and backed by healthy net cash accruals.

- **Reputed customers:**

The group has been associated with a diversified and reputed customer base such as Larsen and Toubro Ltd, Bajaj Electricals Ltd, Tata Projects Ltd and Ashoka Buildcon Ltd to name a few among other infrastructure players located in Uttar Pradesh. Acuite believes that the group will continue to benefit from its strong and reputed client base and maintain a steady revenue generation in near to medium term.

- **Comfortable working capital nature of operations:**

The group operates in a comfortable working capital nature of operations marked by Gross Current Assets days (GCA) of 96 for FY2018 as against 110 days for FY2017. The improvement in GCA is mainly due to a decrease in inventory to 26 days for FY2018 from 38 days in FY2017. Further, the average working capital utilisation for BPIL stood at 80 percent for the last six months ending November 2018. Acuite believes that efficient working capital management will be crucial for the group in order to maintain a stable credit profile.

Weaknesses

- **Highly competitive and fragmented industry:**

Bajrang Group operates in a highly competitive and fragmented market with limited entry barriers. This results in the presence of a large number of players in the unorganized sector thereby limiting the bargaining power of the group with its customers. Further, BII, BPI, BPL and BCI are in their initial years of operations and could potentially be dependent on BPIL for securing and executing larger projects.

- **Susceptibility of margins to volatility in raw material prices:**

The raw material (steel rods and wires) cost comprises ~80 percent of the cost of sales for the group. Additionally, contracts for these projects are often priced at a certain level of raw material prices. Any significant increase in raw material prices during project execution can have an impact on profit margins for the group. Further, delays in land acquisitions and approvals may result in delays in construction which would also lead to the same. Hence, in cases of absence of a price escalation clause the group is susceptible to adverse fluctuations in raw material prices that may affect profitability.

Liquidity Position

Bajrang Group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. Net cash accruals for the group have improved to Rs. 12.58 crore for FY2018 from Rs. 7.14 crore for FY2017, while its maturing debt obligations were of around Rs. 1.81 crore in FY2019. The cash accruals of the group are estimated to remain around Rs.15.00 – 22.00 crore during 2019-21 while its repayment obligation is estimated to be around Rs. 2.00 Crore every year. The group's operates in a comfortable working capital nature of operations marked by gross current asset (GCA) days of 96 in FY 2018. This has led to lower reliance on working capital borrowings; the cash credit limit of the group remains moderately utilised at ~70-80 per cent. The group maintains unencumbered cash and bank balances of Rs.1.54 crore as on March 31, 2018. The current ratio of the group stands at 1.22 times as on March 31, 2018. Acuite believes that the liquidity of the group is likely to remain adequate over the near to medium term on account of healthy cash accrual and low debt repayments over the period.

Outlook: Stable

Acuite believes that the group will maintain a 'Stable' business profile over the medium term and will continue to benefit from its experienced management and reputed customers. The outlook may be revised to 'Positive' in case the group registers higher-than-expected revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile and liquidity position.

About the Group

Bajrang Power Industries LLP (BPIL) was established in the year 2014 and is currently located in Dholpur (Rajasthan). BPIL along with Bajrang Infra Industries, M/s Bajrang Prestress Industries, Bajrang Pole Industries LLP and M/s Bajrang Concrete Industries is engaged in the manufacturing of PCC Poles which are used for lighting and electrification purposes. High tensile steel wires made by BWPL are sold to

BPIL, BII, BPI, BPL and BCI as one of the primary components for manufacturing PCC Poles. Their customers typically include Infrastructure players executing projects for the Government (UP State Electricity Board).

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	305.58	231.96	229.77
EBITDA	Rs. Cr.	21.75	13.08	18.43
PAT	Rs. Cr.	6.83	1.75	7.33
EBITDA Margin	(%)	7.12	5.64	8.02
PAT Margin	(%)	2.24	0.76	3.19
ROCE	(%)	17.54	11.07	42.21
Total Debt/Tangible Net Worth	Times	0.97	1.08	0.95
PBDIT/Interest	Times	3.55	2.34	4.53
Total Debt/PBDIT	Times	2.29	3.18	1.87
Gross Current Assets (Days)	Days	96	110	103

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*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 loans	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB- / Stable

Contacts

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