

Press Release

Bajrang Power Industries LLP

February 03, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 7.00 crore
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the above mentioned bank facilities of Bajrang Power Industries LLP (BPI). The outlook is '**Stable**'.

BPI is part of the Bajrang group based at Dholpur (Rajasthan), and was established in 2014 by Mr. Dhruv Maheshwari. The firm is engaged in manufacturing of manufacturing of PCC Poles for the purpose of electrification and their supplies in the domestic market.

The firm is a part of the business group, hereinafter referred to as Bajrang group (BG) comprising 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).The group has integrated operations for the manufacturing of PCC Poles. The group entities produce PCC poles according to the different specifications of the various states.

Analytical Approach

Acuité 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. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

The group is promoted by Mr. Naveen Kumar Poddar, Mr. Dhruv Maheshwari and Mrs. Tripti Maheshwari who are all industry veterans with a combined experience of around 50 years in the manufacturing of PCC poles and various types of wires for the purpose of electrical transmission. The rich experience of the promoters in the aforementioned line of business has enabled the group to maintain long and healthy relations with many reputed customers and suppliers. Some of the customers of the group are Tata Projects Limited, Bajaj Electricals Limited and Larsen & Toubro. Further on the back of the stable and repeated orders by the key customers, the revenues have seen a compound annual growth rate (CAGR) of about 47 per cent over the past three through FY2019 at Rs.501.43 crores in FY2019.

Acuité believes that the group will benefit from its experienced management, which helps the group in maintaining long-standing relations with reputed 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. 65.18 crore as on 31 March, 2019 as against Rs. 53.04 crore as on 31 March, 2018. Gearing (debt-equity) stood at 1.24 times as on 31 March, 2019 as against 0.97 times in the previous year. The total debt as on 31 March, 2019 of Rs.80.80 crore comprises unsecured loan of Rs.4.74 crore, working capital limits of Rs.58.58 crore, and term loan outstanding of Rs.17.49 crore. The coverage indicators of the group

are healthy marked by interest coverage ratio (ICR) at 3.95 times in FY2019 as against 3.55 times in the previous year. The debt service coverage ratio (DSCR) stood at 2.76 times in FY2019 as compared to 2.99 times in FY2018. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 1.94 times as on 31 March, 2019 as against 1.45 times in the previous year. Acuité 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.

Weaknesses

- **Highly fragmented industry**

The fragmented nature of the industry proves to be a major threat. Only 30% of the players in the industry are in the organized sector. (Rest of the players are in the unorganized sector). The limited market share, competitive pressure because of the presence of a large number of players, including small and medium sized players, and tender-based business will keep operating margins in the manufacturing segment modest at 5 to 8 percent. Further the profitability of the group has also declined marginally to 6.29 percent (EBITDA) in FY2019 as against 7.12 percent (EBITDA) in FY2018 due to intense competition offered by various market players.

Rating Sensitivity

- Significant improvement in the scale of operation with improvement in profitability, sustenance of the comfortable financial risk profile and improvement in working capital intensity.
- Deterioration in working capital or any major debt funded capex

Material Covenants

None

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. 19.75 crore for FY2019 from Rs. 12.58 crore for FY2018, while its maturing debt obligations were of around Rs. 3.73 crore in FY2019. The cash accruals of the group are estimated to remain around Rs.15.90 – 16.67 crore during 2020-22 while its repayment obligation is estimated to be around Rs. 3.88 to Rs.4.12 crore for the same period. The group's operates in a comfortable working capital nature of operations marked by gross current asset (GCA) days of 91 in FY 2019. The group maintains unencumbered cash and bank balances of Rs.0.64 crore as on March 31, 2019. The current ratio of the group stands at 1.19 times as on March 31, 2019. Acuité believes that the liquidity of the group is likely to remain adequate over the near to medium term on account of healthy cash accrual against debt repayments over the period.

Outlook: Stable

Acuité 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 clientele. 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 Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	501.43	305.58
PAT	Rs. Cr.	11.86	6.83
PAT Margin	(%)	2.37	2.24
Total Debt/Tangible Net Worth	Times	1.24	0.97
PBDIT/Interest	Times	3.95	3.55

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Jan-2019	Cash Credit	Long Term	4.50	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE BBB-/ Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB-/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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