

Press Release

Bajrang Power Industries LLP

April 30, 2021



Rating Downgraded

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Downgraded)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE BB+** (read as ACUITE double B plus) from '**ACUITE BBB-**' (read as ACUITE triple B minus) on the Rs. 7.00 Cr bank facilities of Bajrang Power Industries LLP. The outlook is '**Stable**'.

The rating downgrade is driven by the overall decline in the scale of operations of the group caused due to reduced demand and orders from its clientele. This has also impacted the overall profitability of the group reflected by net losses of 0.43 percent in FY2020 against profits of 2.37 percent in FY2019. Further, the group's liquidity position is expected to undergo some degree of stretch on account of the overall operational decline leading to tightly matching cash accruals against its consequent repayment obligations.

About the Company

Bajrang Power Industries LLP (BPIL) was incorporated in 2014, promoted by Mr. Dhruv Maheshwari. It is located in Dholpur, Rajasthan and is engaged in the manufacturing of PCC Poles.

Bajrang Group – Profile

All five sister concerns together are engaged in the manufacturing of PCC Poles and are spread across domestically in different states. One of the primary components of these poles is wires which are procured from its parent Bajrang Wire Products (India) Private Ltd.

About Parent Co. – Bajrang Wire Products (India) Private Ltd

Established in 1993 by Mr. Dhruv Maheshwari is engaged in the manufacturing of ACSR wires, high tensile steel wires, 3 ply wires, armored cable and GSS wires and the manufacturing facility is located in Jaipur, Rajasthan. These wires are also used as one of the primary raw materials for manufacturing PCC Poles by the sister concerns.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Bajrang Power Industries LLP (BPIL), Bajrang Wire Products (India) Private Limited, Bajrang Infra Industries, Bajrang Prestress Industries, Bajrang Pole Industries LLP and Bajrang Concrete Industries together referred to as the 'Bajrang Group'. The consolidation is in view of the common management and strong operational and financial linkages. Extent of Consolidation: Full

Key Rating Drivers

Strengths

- Experienced management**

Bajrang 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 Ltd. 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**

Financial risk profile of the group stood moderate marked by healthy gearing, total outside liabilities to total net worth (TOL/TNW) though partly constrained due to moderate debt protection metrics. Gearing stood average at 0.98 times as on 31 March, 2020 as against 1.24 times as on 31 March, 2019. TOL/TNW stood moderate at 1.26 times as on 31 March, 2020 as against 1.94 times as on 31 March 2019. Net worth stood moderate at Rs.66.52 Cr as on 31 March, 2020 as against Rs.65.18 Cr as on 31 March, 2019.

Due to declining profitability levels, the debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 1.71 times and 0.08 times respectively in FY2020 against 3.95 times and 0.24 times respectively in FY2019. The firm's cash accruals stood at Rs.5.41 Cr in FY2020. Modest accruals with repayment obligations and moderate capex are expected to keep the financial risk profile at similar levels over the medium term.

Acuité expects the financial risk profile to remain average over the medium term in the absence of any significantly debt-funded capital expenditure supported by moderate margins to support it accretion to net worth and improve its debt protection metrics.

Weaknesses

- **Deterioration in the scale of operations**

Bajrang Group's revenue has decreased since FY2020 onwards where the Group reported Rs.289.2 Cr in FY2020 against Rs.501 Cr in FY2019. Further, during FY2021 (Prov), the group reported revenue of Rs.285 Cr. The impact on revenues is on account of lack of orders from its clientele which has also led to reduced utilization of its existing facilities. The Group takes orders for supplying PCC poles to infrastructure players who receive government orders [electrification tenders] based out of UP, MP and Rajasthan. Due to reduced orders from government, the group started receiving less orders for supply of the manufactured items specially from FY2020 onwards, further worsened due to outbreak of the pandemic. This has also impacted the Group's operating and net level profitability from FY2020 onwards.

The group is currently expanding its operations in Kerala and Maharashtra and will start manufacturing HDP pipes w.r.t. water and sanitation tenders. They have already set up one unit each in the discussed states and the operations are expected to commence from FY2022 onwards. Acuité believes that the ability of the group to increase the scale of operations while maintaining stable operating margins would be the key rating sensitivity factors over the medium term.

- **Moderately working capital intensive operations**

Bajrang Group has reported moderately working capital-intensive operations demonstrated from the GCA days of 110 days as on March 31, 2020 against 91 days as on previous year. The same is expected to further remain moderated in FY2021 due to disruption in the normal operations caused by the pandemic. The group usually allows a credit period of not more than 90 days to its customers which stood at 69 days as on March 31, 2020 against 68 days in previous year. It also stocks inventory of finished goods majorly for not more than 30 days. However, the inventory holding as on March 31, 2020 stood at 34 days against 18 days as on March 31, 2019. The ability of the firm to improve the working capital cycle and the liquidity profile are key rating sensitive factors over the medium term.

- **Highly fragmented industry**

The fragmented nature of the industry proves to be a major threat. Only 30 percent 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 operating profitability of the group has also declined to 3.85 percent in FY2020 as against 6.29 percent in FY2019 due to intense competition offered by various market players.

Rating Sensitivities

- Growth in the operations with improvement in the profitability margins
- Any further elongation in the working capital management leading to any negative impact on the liquidity profile

Liquidity: Stretched

Liquidity position of the group will remain stretched on account of tightly matching cash accruals vis-à-vis its repayment obligations coupled with low cash and bank balances. Cash accruals of the group are expected

to be in the range of Rs.5 Cr to Rs.6 Cr against repayment obligations of Rs.3.5 Cr which leaves moderate cushion for incremental business purposes. The group's cash and bank balances also stood low at Rs.0.54 Cr as on March 31, 2020 with a moderate current ratio of 1.33 times in the same period.

Outlook: Stable

Acuité believes that the outlook of BPIL will remain 'Stable' over the medium term on account of the experience of the management in the industry. The outlook may be revised to 'Positive' in case the group registers significant growth in its revenues while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	289.25	501.43
PAT	Rs. Cr.	(1.26)	11.86
PAT Margin	(%)	(0.43)	2.37
Total Debt/Tangible Net Worth	Times	0.98	1.24
PBDIT/Interest	Times	1.71	3.95

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
03-Feb-2020	Cash Credit	Long Term	4.50	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BBB-/Stable (Reaffirmed)
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 BB+/Stable (Downgraded)
Term Loan	April, 2014	10.65%	Sept, 2022	2.50	ACUITE BB+/Stable (Downgraded)

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About Acuité Ratings & Research:

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