

Press Release

Bhagwati Recycling Private Limited

August 29, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.22.00 Cr.
Long Term Rating	ACUITE B+ /Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 22.00 Crore bank facilities of Bhagwati Recycling Private Limited (BRPL). The outlook is '**Stable**'.

Bhagwati Advisory Services Private Limited was incorporated in 2007 by Mr. Arpit Aggarwal and Mr. Ankur Aggarwal as a private limited company with the objective of providing financial consultancy services. Later in August, 2018 the company renamed as Bhagwati Recycling Private Limited (BRPL) and currently is managed by Mr. Arpit Aggarwal and Mrs. Purty Aggarwal. BRPL's manufacturing facility is located at Jhajjar, Haryana for manufacturing of aluminum billets with an installed capacity of 6,000 metric tonnes per annum. The commercial operations of the unit are expected to commence from November, 2020.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Bhagwati Recycling Private Limited (BRPL) and Balaji Aluminium Extrusions Private Limited (BAEPL), together known as Balaji Group, to arrive at the rating. The consolidation is on account of common management, a similar line of business, and operational linkages. Extent of consolidation: Full.

About the group

Balaji Aluminium Extrusions Private Limited (BAEPL) was incorporated in 2009 by Mr. Arpit Aggarwal and Mr. Ankur Aggarwal. The company is engaged into extrusion of Aluminium Profiles of different shapes and sizes. The manufacturing facility is located at Bahdurgarh, Haryana within close proximity to National capital Delhi. Their products are used in automotive, architectural, industrial, transport, lighting and aviation & defence etc. The company have an installed capacity of 1680 metric tonne per annum.

Key Rating Drivers

Strengths

- **Experienced management and diversified clientele**

BRPL was promoted by Mr. Arpit Aggarwal and Ms. Purty Aggarwal. Both the promoters are graduate by qualification and having industry experience of around 11 years and 5 years respectively in the industry through their association with BRPL and the group concern, Balaji Aluminum Extrusions Private Limited (BAEPL). The experience of the promoters has helped the company establish a healthy and long-standing relationship with its customers and suppliers.

The group is engaged in a business whose products are used in various industry such as automotive, architectural, industrial, transport, lighting and aviation & defence etc. which leads to low customer concentration risk.

Weaknesses

- **Project execution risks:**

The total project cost is Rs. 14.00 crore which is expected to be funded by Rs. 9.50 crore term loan and the remaining Rs. 4.50 crore in the form of equity. The expected date of completion of the project is October 31, 2020 and the commercial operations are expected to start operations from November

2020. As of July 31, 2020, the company have incurred a total cost of ~Rs.9.00 Crore in the project. Out of which ~Rs.4.50 Crore is promoters contribution and ~Rs.4.50 Crore is through a secured loan. If the project gets further delayed, the interest cost and preoperative expenses might cause cost overrun.

• Average Financial Risk profile

The financial risk profile of the group is average marked by tangible net worth of Rs.6.92 crore as on 31 March 2020 (Provisional) as against Rs.5.26 crore in the previous year. The disbursement of new term loan has led to an increase in gearing ratio (debt-equity) to 1.24 times as on 31 March 2020 (provisional) from 0.94 times as on 31 March 2019. The coverage indicators are average marked by interest coverage ratio (ICR), which stood at 2.42 times for FY2020 (Provisional) as against 2.60 times for FY2019. DSCR stood at 1.22 times for FY2020 (Provisional) as against 2.25 times in the previous year. This is mainly due to high-interest cost on a new term loan. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.53 times as on 31 March 2020 (Provisional) as against 1.66 times as on 31 March 2019.

Acuité believes the financial risk profile of the group will remain average backed by moderate low cash accruals and major debt-funded capex in near to medium term.

Outlook: Stable

Acuité believes that Balaji Group will continue to benefit over the medium term from the promoters experience and diversified clientele. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales while improving its liquidity. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve growth in revenue and profitability thus resulting in deterioration in financial risk profile owing to higher-than-expected increase in debt-funded working capital requirement.

Material Covenant

None

Rating sensitivity

- Any delay in project implementation

Liquidity position: Stretched

Group has stretched liquidity marked by low net cash accruals to its maturing debt obligations. Group generated cash accruals of Rs.0.58 Crore in FY2020 (Provisional) as against debt maturity obligation of Rs.0.45 Crore for the year. The cash accruals of the group are estimated to remain in the range of around Rs.0.50 Crore to Rs.1.00 Crore during FY2021-23 against the CPLTD in the range of Rs.0.80-Rs.1.50 Crore each year for the same period. The company's working capital operations are moderate, marked by Gross Current Asset (GCA) days of 117 days in FY2020 (Provisional). Further, the group's average bank limit utilization stood at ~88% for the past 6 months ending June-2020. The group maintains unencumbered cash and bank balances of Rs.0.01 Crore as on 31 March 2020 (Provisional). The current ratio stands at 1.90 times as on 31 March 2020 (Provisional).

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	28.63	33.65
PAT	Rs. Cr.	0.17	0.15
PAT Margin	(%)	0.60	0.46
Total Debt/Tangible Net Worth	Times	1.24	0.94
PBDIT/Interest	Times	2.42	2.60

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

BRPL's rating was flagged off as Issuer not cooperating with CARE, through its rating rationale dated July 31st, 2020. The reason provided by CARE is non-furnishing of information by BRPL.

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to 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 Loan	31-10-2019	Not Applicable	30-11-2026	9.50	ACUITE B+/Stable (Assigned)
Proposed Term Loan Facility	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B+/Stable (Assigned)
Proposed Cash Credit Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B+/Stable (Assigned)

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About Acuité Ratings & Research:

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