



**Press Release**  
**Bhagwati Recycling Private Limited**  
**January 12, 2024**  
**Rating Downgraded & Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE B+   Downgraded & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	22.00	-	-

**Rating Rationale**

Acuite has downgraded and withdrawn the long term rating from '**ACUITE BB-**' (read as **ACUITE double B minus**) to '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.22.00 Cr. bank facilities of Bhagwati Recycling Private Limited (BRPL).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company and NOC received from the banker.

**Rationale for rating downgrade**

The rating downgrade takes into account the decline in the profitability resulting in the weakening of the group's financial risk profile as reflected by DSCR of 0.43 times, Debt/equity of 8.90 times along with stretched liquidity position. The ratings also takes into account the intensive working capital operations. However, the rating continues to factor in the growth in the operating income of the group and extensive experience of the promoters in the industry.

**About Company**

Incorporated in January 2007 as Bhagwati Recycling Services Private Limited the entity was engaged in providing financial consultancy services. In 2008, it changed its current nomenclature to Bhagwati Recycling Private Limited (BRPL) and line of business to manufacturing of aluminium billets. its manufacturing facility is based at Jhajjar, Haryana.

**About the Group**

Bhagwati Recycling Private Limited (BRPL) is engaged in manufacturing of aluminium billets which is sold to its group company namely Balaji Aluminium Extrusions Private Limited. it is engaged in the extrusion of Aluminium Profiles. The manufacturing facility is located at Bahdurgarh, Haryana. Their products are used in automotive, architectural, industrial, transport, lighting and aviation & defence etc.

**Unsupported Rating**

Not Applicable



## Extent of Consolidation

- Full Consolidation

## Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of Balaji Aluminium Extrusions Private Limited and Bhagwati Recycling Private Limited to arrive at this rating. The consolidation takes into account the business synergies of both the entities.

## Key Rating Drivers

### Strengths

#### Experienced management

BRPL has been promoted by Mr. Arpit Aggarwal and Ms. Purty Aggarwal. The promoters have an industry experience of around 11 years and 5 years respectively through their association with BRPL and a group concern, Balaji Aluminium Extrusions Private Limited (BAEPL).

### Weaknesses

#### Deterioration in profitability margins despite improvement in revenues

The group has recorded a 55.51% YoY growth in the operating performance to Rs. 80.45 Cr in FY23 as against Rs. 51.73 Cr in FY22. However, the group's profitability deteriorated in FY23 as reflected by a 465bps dip in the EBITDA margins to Rs. 3.08% in FY23 as against 7.73% in FY22. In line with the EBITDA margin coupled with high depreciation and the interest expenses. The group reported net losses of Rs. -2.17 Cr in FY23 as against -1.96 Cr in FY22. The group's margins have seen a decline for two consecutive years in FY2022 and FY 2023. The group's profitability declined in FY22 on account of high depreciation and interest costs. The profitability further declined in FY23 on account of declining price trend on aluminium in FY23 resulting in the inventory losses to the group.

#### Weak Financial Risk Profile

The financial risk profile of the group is weak marked by net losses, high gearing and below average debt protection metrics. The tangible networth of the group declined and stood at Rs. 3.76 Cr in FY23 as against Rs. 6.15 Cr in FY22. The debt outstanding of the group in FY23 comprises of long-term debt of Rs. 17.95 Cr, Rs. 3.91 Cr of interest-free unsecured loans from promoters and directors and Rs. 11.58 Cr of short-term debt. The gearing of the group declined to 8.90 times in FY23 as against 4.91 times in FY22. The TOL/TNW deteriorated to 14.71 times in FY23 as against 7.38 times in FY22. The net losses resulted in weak debt protection metrics as reflected by debt service coverage ratio which stood at 0.43 times in FY23 as against 0.76 times in FY22. The interest coverage ratio stood at 1.28 times in FY23 as against 2.40 times in FY22.

#### Working capital intensive in nature

The operations of the group are working capital intensive in nature marked by high GCA days which improved yet remained high at 167 days in FY23 as against 199 days in FY22. The inventory levels improved and stood at 58 days in FY23 as against 77 days in FY22. The group has receivable days of 96 days in FY23, as against 102 days in FY22. The creditor days of the group stood at 121 days in FY23 as against 153 days in FY22. The average bank limit utilisation by the group stood high at 97.99% in FY23.

## Rating Sensitivities

- Any deterioration in working capital cycle and liquidity profile of the group
- Any deterioration in Revenue profile and leverage position of the group
- Any weakening of financial risk profile of the group

- Lower than expected capacity utilization of production facilities

### **Liquidity Position**

#### **Stretched**

The group's liquidity position remained stretched as reflected by the insufficient cash accruals against the maturing debt obligations. The group generated cash accruals of Rs. 0.53 Cr in FY23 as against maturing debt obligations of Rs. 4.29 Cr over the same period. The gap in the funding was met through the infusion of additional non-interest bearing unsecured loans from promoters and directors in FY23 to the tune of Rs. 1.01 Cr. The working capital limits by the group remained almost fully utilised at 97.99% in FY23 resulting in small/no buffer for liquidity. The current ratio of the group stood at 1.02 times in FY23 as against 1.09 times in FY22. The cash and bank balances of the group stood at Rs. 1.39 Cr in FY23.

### **Outlook: Not Applicable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	80.45	51.73
PAT	Rs. Cr.	(2.17)	(1.96)
PAT Margin	(%)	(2.70)	(3.78)
Total Debt/Tangible Net Worth	Times	8.90	4.91
PBDIT/Interest	Times	1.28	2.40

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

Not Applicable

## Any Other Information

None

## Applicable Criteria

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

## Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Feb 2023	Proposed Cash Credit	Long Term	7.50	ACUITE BB-   Stable (Reaffirmed)
	Term Loan	Long Term	14.50	ACUITE BB-   Stable (Reaffirmed)
30 Nov 2021	Term Loan	Long Term	14.50	ACUITE BB-   Stable (Upgraded from ACUITE B+   Stable)
	Proposed Cash Credit	Long Term	7.50	ACUITE BB-   Stable (Upgraded from ACUITE B+   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE B+   Downgraded & Withdrawn
Small Industries Development Bank of India	Not Applicable	Term Loan	22 Nov 2019	Not available	10 Oct 2028	Simple	14.50	ACUITE B+   Downgraded & Withdrawn

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Khushi Shah Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:khushi.shah@acuite.in">khushi.shah@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

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