

## Press Release

### Botil Oil Tools India Private Limited

January 31, 2023



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	25.00	-	ACUITE A3   Assigned
Total Outstanding Quantum (Rs. Cr)	48.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.48.00 Cr bank facilities of Botil Oil Tools India Limited (BOTIL) . The outlook is '**Stable**'.

### Rationale behind rating assigned

The rating assigned reflects the long track record of operations of the company along with promoter's extensive experience in this field of business. Further, the margins of the company have improved from past years. However, the above factors are underpinned by high working capital requirement due to nature of business also factored in while assigning the rating.

### About the Company

Botil Oil Tools India Private Limited (Botil) was set up as a joint venture company in 1985 with Mr. H.L. Khushalani and his family Located at Bilaspur Gurgaon. Holding 60% stake and Baker Oil Tools, a subsidiary of Baker Hughes, acquiring the balance. Baker Hughes is a leading global oilfield services company. Botil commenced commercial production in 1989 with the technology obtained from Baker Hughes. In 1995, Baker Hughes sold its 40% stake in Botil to Hong Kong-based private equity investment company viz. White Horse Trading Limited. Botil is engaged in the manufacture of oil drilling and production tools such as bridge plugs, floating equipment, packers, liner hanger and flow control equipment. The company supplies these equipment to domestic oil and gas exploration and production companies such as ONGC and Oil India, as well as exports them to countries such as Algeria, Turkey, Syria, South East Asia, etc. The company's manufacturing facilities are located at Bilaspur, Gurgaon.

### Analytical Approach

Acuite has considered the standalone financial and business risk profile of BOTIL OIL TOOLS INDIA PRIVATE LIMITED to arrive at this rating.

### Key Rating Drivers

## Strengths

### Established track record of operations

BOTIPL is incorporated in 1985 and has an established track record of operations of nearly more than 30 years of experience in this field of business. The experience of the management has helped the company to maintain a longstanding relationship with its customers and suppliers. The company is providing its products to big organisations like ONGC and OIL INDIA LTD. However, it is also generating revenues of more than 90% from Exports to UAE, ALGERIA, Turkey, etc

### Augmentation of business risk profile

Botil Oil Tools India Limited has reported operating income of Rs. 74.63 Cr in FY2022 as against Rs. 32.35 Cr in FY2021 (Audited). In FY22 the company exports accounts 93% of total sales in which Algeria accounts for 32.22%, Jordan 12.27%, UAE 17.15% and other countries 38.36% of total sales. There is a dip in the revenue in FY21 as disruption caused by pandemic and the orders were put on hold. Hence, the top-line of the company deteriorated and due to the fixed cost of the company, it incurred losses in FY21 EBITDA margin stood at 25.35 % in FY22 in comparison to negative 80.79% in FY21 (Audited). Further, Net Profit margin stood at 14.15% in FY2022 as against negative 111.77% in FY 2021. Operating Income of Rs. 65.31 Crore is from Exports to various countries like Algeria, Turkey, Syria, South-East Asia, etc. while Rs. 4.98 Crore contributing to Domestic Market. The company has healthy Order Balance Book of Rs. 99.73 Cr. The Net Sales booked by the company up to October 2022 is Rs 55.78 Cr and is projected to Rs. 81.70 Cr in FY 23.

### Healthy Financial Risk Profile

The company has Healthy financial risk profile marked by healthy net worth and strong debt protection metrics. RIPL's net worth stood at Rs. 56.99 Cr as on 31st March 2022 as against Rs. 46.40 Cr as on 31st March 2021 (Audited). Gearing levels (debt-to-equity) stood at 0.88 times as on March 31, 2022, as against 1.12 in FY 2021 (Audited). Further, the interest coverage ratio stood strong at 5.55 times for FY2022 as against (5.97) times in FY2021. Debt service coverage ratio stood at 4.58 times in FY2022 in comparison to (4.82) times in FY2021 (Audited). Total outside liabilities to total net worth (TOL/TNW) stood at 1.11 times as on FY2022 vis-à-vis 1.29 times as on FY2021 (Audited). However, Debt-EBITA stood at 2.58 times as on 31 st March 2022 as against (2) times as on 31 st March 2021.

## Weaknesses

### Intensive Working Capital Operations

The company has Intensive working capital requirements as evident from gross current assets (GCA) of 415 days in FY2022 as compared to 757 days in FY2021. Debtor days increased to 62 days in FY2022 as against 38 days in FY2021. Inventory days though decreased to 348 days in FY2022 as against 356 days in FY2021 it remained high. The high inventory days is the requirement in this business as it takes approximately 7 -8 months for the raw material (which includes 2 months for production of the special metal composition required by the company coupled with 3-4 months of transportation and 2 months of inspection at receiving port) before it reaches to the company's warehouse. The carrying cost of the inventory is factored in the quotation while bidding. Due to the nature of business the inventory days are expected to remain in line in the future years.

### Vulnerability of profitability forex fluctuations

The essence of fluctuation in prices is present in this industry. However, because roughly half of the raw materials are imported, there is a natural hedge to some extent, as is demonstrated by the fact that the company has not suffered any large foreign exchange losses.

## Rating Sensitivities

- Significant improvement in revenue while maintaining profitability
- Further, elongation of working capital cycle.

## Material covenants

None

### Liquidity Position

#### Adequate

The company has adequate liquidity in the FY 22 marked by adequate net cash accruals to its maturing debt obligations. In the FY 21, the company had negative Cash Accruals of Rs.31.40 Cr against debt obligations of Rs.1.27 Crore, which has been repaid, with the help of amount realized from receivables from statutory authorities of Rs.2.91 Crore. However, Firm generated cash accruals of Rs. 15.21 crore for FY2022 as against Rs. 0.24 crore of repayment obligations for the same period. Further the cash accruals of the company is expected to improve and remain in the range of Rs. 15.49 Cr. to 16.79 Cr. for FY23 & FY24 respectively against which the company will have small repayment obligation of Rs. 0.24 Cr. each for the aforementioned period. Current Ratio stood at 2.33 times as on 31 March 2022 as against 2.10 times in the previous year. The Bank Limit Utilization for Fund-Based Facilities remained moderate and on an average stood at 75.75% in past 12 months similarly the Non-Fund Based Facilities remained utilized at 23.09% for the same period. The cash accrual position, additional buffer in the working capital funds coupled with cash and bank balance of Rs. 9.54 Cr. as on 31 st March 2022 reflects adequate liquidity position of the company.

#### Outlook: Stable

Acuité believes that Botil Oil Tools India Limited will maintain a 'Stable' outlook over the medium term on account of its management's extensive experience and healthy relationship with existing clients. The outlook may be revised to 'Positive' if the firm is able to sustain growth in revenues. Conversely, the outlook may be revised to 'Negative' in case of any delay in Exports and downgrade in revenues.

#### Other Factors affecting Rating

None.

#### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	74.63	32.35
PAT	Rs. Cr.	10.56	(36.16)
PAT Margin	(%)	14.15	(111.77)
Total Debt/Tangible Net Worth	Times	0.88	1.12
PBDIT/Interest	Times	5.55	(5.97)

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

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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. Acuite'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:**  
Not Applicable

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A3   Assigned
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A3   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A3   Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A3   Assigned
Punjab National Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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