



**Press Release**  
**Botil Oil Tools India Private Limited**  
**December 14, 2023**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	21.00	-	ACUITE A3   Assigned
Bank Loan Ratings	25.00	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	69.00	-	-

**Rating Rationale**

Acuite has reaffirmed 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**'.

Acuite also assigned its short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on additional Rs.21 Cr proposed bank facilities of Botil Oil Tools India Private Limited (BOTIPL).

**Rationale for reaffirmation:**

Reaffirmation of rating considers Botil Oil Tools India Private Limited's (BOTIPL's) improving scale of operations, healthy financial risk profile and adequate liquidity position. The company has registered revenue of Rs.82.53Cr in FY2023 posting a growth rate of 8 percent on the previous year revenue of Rs.74.63Cr. This growth in revenue is primarily on account of healthy orders throughout the year backed by recovery in export market post COVID. EBITDA margin of the company has declined sharply during the year owing to the accumulated repairs and maintenance expenses pertaining to 2020-2022 period in FY23. However, margins are expected to bounce to back to historic level of 20-25 percent in the medium term.

The rating also factors in the expected moderate growth in revenue for FY24, healthy financial risk profile and adequate liquidity of the company. Going forward, the company's ability in sustaining the growth in revenue while improving the profitability will be a key monitor able.

**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, South East Asia,

etc. The company's manufacturing facilities are located at Bilaspur, Gurgaon.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité 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

#### Experienced management and an established track record of operations

BOTIPL is promoted by Mr. H L Khushalani and currently being managed by Miss. Raksha Khushalani and family members who collectively possess experience of nearly 5 decades in the same industry. The extensive experience of promoters has helped the company in establishing long-term relationships with its customers and suppliers for repeat orders. BOTIPL's customers include companies includes ONGC, Oil India Limited and many other customers from UAE, Algeria, Turkey etc. The extensive industry experience and relations has helped the company in improving its scale of operations over the years.

Acuite believes that BOTIPL may continue to benefit from its established track record of operations and longstanding relationships with its customers and suppliers.

#### Improving scale of operations:

BOTIPL has reported revenue of Rs. 82.53 Cr in FY23 posting a growth rate of 8 percent on previous year revenue of Rs. 74.63 Cr. This improvement in revenue is on account of healthy orders throughout the year backed by recovery in export market post covid lockdown. Further to this the company has registered revenue of Rs.39Cr till September 2023 and expected to register revenue in the range of Rs.90-95Cr by the end of FY24.

However, EBITDA margin of the company decline during FY23 to 14.39 percent from 25 percent of previous year. The sharp decline in margin is due accumulated repairs and maintenance expenses pertaining to 2020-2022 period in FY23. EBITDA margins are susceptible to the composition of material and technology in the machine produced and also the pricing during tendering for the orders. Acuite believes that the company's operations will further improve over the medium term on account of healthy orders from export markets.

#### Moderate Financial risk profile:

The financial risk profile of the company is moderate with healthy capital structure and moderate debt protection metrics. The net worth of the company stood at Rs.62.67 Cr as on March 31, 2023 against Rs.56.99 Cr during previous year. Improvement in net worth is primarily on account of accretion of profits to the reserves during the year. The gearing of the company remained healthy under unity over the last 2 years, During FY23 BOTIPL's gearing stood at 0.85 times against 0.88 times of previous year. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood in at 3.17 times and 3.11 times as on March 31, 2023 respectively as against 5.55 times and 4.58 times as on March 31, 2022 respectively. TOL/TNW stood at 0.99 times and 1.11 times as on March 31, 2023 and 2022 respectively. This marginal deterioration in protection metrics is on account of lower EBITDA for the year. The debt to EBITDA of the company stood at 3.74 times as on 31 March, 2023 as against 0.65 times as on 31st March, 2022. Going forward financial risk profile of the company is expected to improve with absence of long term debt and expected improvement in EBITDA.

## Weaknesses

### Intensive working Capital Operations

The company has Intensive working capital requirements as evident from gross current assets (GCA) of 386 days in FY23 as compared to 413 days in FY22. The stretch in GCA days is mainly on account of high inventory days. Inventory days remained high at 248 days in FY23 against 348 days in FY22. 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. Debtor days increased to 62 days in FY23 as against 38 days in FY22. The company generally allows 30-45 days credit period to its customers. Furthermore, the average working capital limit utilisation remains high at ~87 percent in the past 12 months ended October 31, 2023. Acuite believes that the working capital operation will be remain intensive with high inventory days.

### **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 improving profitability
- Further elongation of working capital cycle.

### **All Covenants**

None

### **Liquidity Position: Adequate**

BOTIPL has adequate liquidity which is evident from the sufficient Net cash accruals (NCA) to meet its debt repayment obligations. The company has reported NCA's of Rs. 10.25Cr as on March 31, 2023 against repayment obligations of Rs.0.24Cr for the same period. These loans are expected to be repaid during FY26. Bank limits were utilized in the range of 80-87 percent during the past 12 months ending October 31, 2023. Further to this, the gross current assets days stood at 386 days during FY23. The company has unencumbered cash and bank balances of Rs.6.43 Cr which provides additional comfort towards liquidity. Going forward, the liquidity is expected to be adequate with net cash accruals in the range of Rs 12-20 Cr over FY24-26 with expected repayment obligations in the range of Rs.1-1.3Cr

### **Outlook: Stable**

Acuite believes that Botil Oil Tools India Limited will maintain a 'Stable' outlook over the mediumterm 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 register higher-than expected growth in revenues and profitability 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	82.53	74.63
PAT	Rs. Cr.	5.86	10.57
PAT Margin	(%)	7.10	14.16
Total Debt/Tangible Net Worth	Times	0.85	0.88
PBDIT/Interest	Times	3.17	5.55

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

Not Applicable

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Jan 2023	Letter of Credit	Short Term	9.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A3 (Assigned)
	Packing Credit	Long Term	15.00	ACUITE BBB-   Stable (Assigned)

## 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   Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A3   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A3   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A3   Reaffirmed
Punjab National Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE A3   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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