



Press Release
Botil Oil Tools India Private Limited
October 11, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	46.00	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	69.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE triple Bf**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on Rs.69 Cr. bank facilities of Botil Oil Tools India Private Limited (BOTIPL). The outlook is '**Stable**'.

Rationale for upgrade:

The rating upgrade considers BOTIPL's consistent growth in operation, improved operating margins and healthy financial risk profile. The company's revenue improved by 28 percent in FY2024 compared to previous year's revenue, primarily driven by increase in orders. Additionally, registered revenue of Rs.38.34 Cr. till July, 2024, which is 115 percent higher than previous year's income for the same period, promising a healthy growth in revenue for the current year as well. The rating also draws comfort from the improving operating profit margin and healthy financial risk profile of the company. Going forward, sustaining the growth in revenue while maintaining the profitability and improving the working capital operations will be a key rating monitor able.

About the Company

Botil Oil Tools India Private Limited 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 GCC and MENA, South East Asia, Latam 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 GCC and MENA, South east Asia, LATAM 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 registered revenue of Rs.105.38 Cr. in FY2024 which is 28 percent higher than FY2023 revenue of Rs.82.53 Cr. This improvement in revenue is on account of healthy orders throughout the year. Additionally, till July, 2024 the company registered revenue of Rs.38.34 Cr. which is 115 percent higher than previous year's revenue of Rs.17.82 Cr. for the same period and expected to register revenue in the range of Rs.130-135 Cr. by the end of FY2025 supported by increasing orders. During FY2024, operating profit margin has improved to 30.20 percent margin compared to 14.28 percent in FY2023. The operating margin has improved to historic levels from a decline observed in FY2021 due to Covid pandemic and FY2023 due to accumulated repairs and maintenance expenses. However, EBITDA margins are susceptible to the composition of material and technology in the machine produced and also the pricing during tendering for the orders. PAT margin has improved to 19.48 percent in FY2024 from 7.10 percent in FY2023. Acuite believes, with the unexecuted order book of Rs. 85.83 Cr. and expected new orders, the scale of operations will improve over the medium term.

Healthy financial risk profile:

BOTIPL's financial risk profile is healthy marked by healthy network, low gearing and healthy debt protection metrics. The network of the company stood at Rs.83.27 Cr. as on March 31, 2024 compared to Rs.62.67 Cr. as on March 31, 2023. The improvement in network is due to accretion of profits to the reserves. Despite the increase in overall debt levels to Rs.75.01 Cr. as on March 31, 2024 from Rs.53.17 Cr. as on March 31, 2023, the gearing levels remained low at 0.90 times, while adjusted gearing (net off USL) stood at 0.58 times as on March 31, 2024. Further, the total outside liabilities to tangible network (TOL/TNW) also remained low at 1.02 times as on March 31, 2024 against 0.99 times as on March 31, 2023. The gearing of the company is expected to improve further and remain low over the medium term on account of absence of any debt funded capex plans. The debt protection metrics stood healthy with DSCR and ICR of 4.28 times and 4.98 times respectively as on March 31, 2024. Debt to EBITDA improved to 2.36 times as on March 31, 2024 against 3.74 times as on March 31, 2023. Acuite believes, the financial risk profile of the company will remain healthy over the medium term due to its conservative leverage policy.

Weaknesses

Working capital intensive nature of operations:

BOTIPL's working capital operations are intensive in nature as reflected through the gross current assets (GCA) of 446 days in FY2024 as compared to 386 days in FY2023. The stretch in GCA days is mainly on account of high inventory days which majorly comprise of working progress. Additionally, receivable period has also stretched in FY2024 to 165 days from 89 days, which further elongating the GCA days. Inventory days remained high at 340 days in FY2024 as against 268 days in FY2023. 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 customer 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. The intensive working capital operations led to moderate dependency on the fund based working capital limits, which were utilized at an average of 77 percent during the past 10 months ending August. 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 foreign exchange losses.

Rating Sensitivities

Positive:

- Sustaining the growth in revenue and profitability.

- Improvement in the working capital operations.

Negative:

- Significant decline in the profitability.
- Any further elongation in working capital cycle leading to deterioration in liquidity position.

Liquidity position: Adequate

BOTIPL's liquidity position is adequate as reflected through sufficient net cash accruals against the repayment obligations. The company registered NCA's of Rs.25.61 Cr. as on March 31, 2024, comfortably covering the minimal debt obligations of Rs.1.09 Cr. for the same period. NCA's are expected to range between Rs.25-35 Cr. over the medium term which would comfortably meet the expected repayment range of Rs.1 -2 Cr. The company's current ratio stood moderate at 2.40 times as on March 31, 2024 and the GCA days stood high at 446 days in FY2024. The fund based bank limits were utilized at an average of 77 percent during the past 10 months ending August, 2024. Additionally, the company has Rs.3.08 Cr. unencumbered cash and bank balances, providing additional liquidity comfort. Acuite believes that the liquidity position of the company will remain adequate over the medium term on account of sufficient cash accruals against repayment obligations.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	105.38	82.53
PAT	Rs. Cr.	20.53	5.86
PAT Margin	(%)	19.48	7.10
Total Debt/Tangible Net Worth	Times	0.90	0.85
PBDIT/Interest	Times	4.98	3.17

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <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. 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Dec 2023	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Packing Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	21.00	ACUITE A3 (Assigned)
31 Jan 2023	Letter of Credit	Short Term	4.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	9.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (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	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	22.00	Simple	ACUITE A3+ Upgraded (from ACUITE A3)
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.00	Simple	ACUITE A3+ Upgraded (from ACUITE A3)
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE A3+ Upgraded (from ACUITE A3)
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE A3+ Upgraded (from ACUITE A3)
State Bank of India	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.50	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Punjab National Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.50	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)

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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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