

Press Release
Batliboi Limited
April 03, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	32.50	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	52.50	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITÉ B+**' (read as **ACUITE B' Plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 52.50 Cr. bank facilities of Batliboi Limited (BL). The outlook is '**Stable**'.

Rating Rationale

The rating assigned reflects BL's established track record of operations of more than century and relevant experience of the management in manufacturing of machine cutting tools and commissioning of textile air engineering machinery. However, the rating is constrained by the losses recorded by BL over the past years, which in-turn impacted the net worth of the company. Further, the financial risk profile also remained below average throughout the years along with working capital intensive nature of operations.

About Company

Incorporated in 1941 in Mumbai, Batliboi Limited manufactures machine tools, air engineering, textile machinery, environmental engineering, wind energy, motors, international marketing, and logistics. The machine tools division manufactures conventional and computer numerical controlled machines. The textile engineering division provides equipment and designs for climate control in textile manufacturing units. Directors of the Company are Mr. Subodh Kumar Bhargava, Mr. Ameet Pratapsinh Hariyani, Mr. Eknath Atmaram Kshirsagar, Mr. Nirmal Pratap Bhogilal, Miss. Sheela Nirmal Bhogilal, Mr. George Verghese, Mr. Kabir Nirmal Bhogilal and Mr. Sanjiv Harischandra Joshi.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profiles of Batliboi Limited and its subsidiaries, to arrive at this rating. The consolidation is on account of common management, a similar line of business, and financial linkages.

Key Rating Drivers

Strengths

Experienced Management and Established Track Record of Operations

Batlilboi was established in 1892, after which, the company was incorporated as Batlilboi Limited in 1941. Thus, the vintage of the company is more than a century. BL has setup the manufacturing plant near Surat, Gujarat. The Company is primarily manufacturing machine tools for metal cutting and textile air engineering.

For the year ended March 2022, the production capacity at which the company was operating was approx. 84.33%.

The promoters of the company have been in the machine tools manufacturing and textile machinery manufacturing for more than six decades. Further, the company is planning to incur capex for technology upgradation to its existing facilities, so as to increase the installed capacity from approx. 25 machines per month to 30-35 machines per month.

Acuité believes that BL may continue to benefit from its established track record and experience of the management.

Weaknesses

Weak Profitability Margins

The Company's EBITDA margins stood at 4.82% in FY22, which was 4.36% in FY21, with an improvement of about 46 basis points. The PAT Margin was negative at (2.37)% in FY22 as against 5.24% in FY21. The company recorded profits in FY21 due to write back of a provision. The profits in FY21 and losses in FY22 have impacted the networth of the company and the financial risk profile. The company has been recording losses due to high overhead costs and finance costs as against limited operating income generation.

Acuité believes that the company's ability to record profits will remain a key sensitivity factor over the medium term.

Below Average Financial Risk Profile

The Company has recorded improvement in operating income but recorded losses in FY22, which has impacted the financial risk profile. The financial risk profile of the company stood below average with declining net worth, below average leverage ratios and coverage indicators. The tangible networth of the company stood at Rs. 125.32 Cr as on March 31, 2022 as against Rs. 128.92 Cr as on March 31, 2021. The Debt - Equity ratio stood at 0.59 times as on 31 March, 2022 & March 31, 2021. The Total Outside Liabilities / Total Tangible Networth ratio stood at 1.29 times as on 31 March, 2022 as against 1.09 times as on 31 March, 2021. Debt - EBITDA ratio deteriorated to 7.69 times in FY22 which was 3.57 times in FY21. Interest coverage ratio deteriorated as compared to previous year, though, remained above 1 - 1.17 times in FY22 as against 2.35 times in FY21. Debt Service Coverage Ratio remained below 1 at 0.34 times as on March 31, 2022, which was 0.87 times as on March 31, 2021. NCA/TD ratio was (0.01) times in FY22 as against 0.16 times in FY21.

Acuité believes that financial risk profile of BL is a key rating sensitivity.

Working Capital Intensive Operations

The Company's working capital operations are intensive with the GCA Days being 132 as on March 31, 2022, as against 131 days as on March 31, 2021. The Inventory days were recorded at 66 days as on March 31, 2022, as against 68 days as on March 31, 2021. Further, the debtor days have marginally improved to 42 days in FY22, as against 44 days in FY21, whereas the creditor days have reduced to 92 days in FY22 as against 103 days in FY21.

Acuité believes that working capital operations may continue to remain intensive considering the nature of business and moderate dependence on short term borrowings.

Rating Sensitivities

- Further deterioration in financial risk profile
- Elongation in Working Capital Cycle
- Improvement in scale of operations and profitability margins

Material Covenants

None

Liquidity Position Stretched

The liquidity profile of the company remains stretched as the negative profitability margins have impacted its ability to generate cash. The Company is generating insufficient net cash accruals to service its debt obligations. The Company is generating Net Cash Accruals of Rs. (1.02) crore in FY22 and Rs. 12.52 crore in FY21 as against maturing debt obligations of Rs. 2.46 crore in FY22 and Rs. 2.82 crore in FY21. Thus, the DSCR has been below 1.00 in FY22, as well as, FY21. Further, the NCA/TD ratio has deteriorated with shrinking net cash accruals. The Current Ratio of ICPL was 0.69 times in FY22 as against 0.66 times in FY21. Further, the company has moderate reliance on short term bank borrowings with an average utilization of more than 80% for 6 months ended January 2023.

Outlook: Stable

Acuité believes the outlook on BL will remain 'Stable' over the medium term backed by its long track record of operations and opportuning on industry solvent paint sales. The outlook may be revised to 'Positive' if the company is able to ramp up its scale of operation along with improvement in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration in profitability, financial risk profile and liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	198.57	155.03
PAT	Rs. Cr.	(4.71)	8.13
PAT Margin	(%)	(2.37)	5.24
Total Debt/Tangible Net Worth	Times	0.59	0.59
PBDIT/Interest	Times	1.17	2.35

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

India Ratings vide its press release dated 16/09/2020, rated the company to IND B-/A4; INC

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.

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	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE B+ Stable Assigned
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE B+ Stable Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE B+ Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE B+ Stable Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.60	ACUITE B+ Stable Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.40	ACUITE B+ Stable Assigned
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.60	ACUITE A4 Assigned
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.90	ACUITE A4 Assigned
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A4 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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