

Press Release
Batliboi Limited
January 12, 2024
Rating Upgraded



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

Erratum: This Press Release publishes the rectification in the inception year and listing status has been updated under the section 'About the company'. The detailed review of the rating was communicated through press release dated December 18, 2023. The PR of the detailed review assessment is available on the following link: <https://connect.acuite.in/fcompany-details/Batliboi%20Limited/18th Dec 23>

Rating Rationale

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

Rationale for upgrade: -

The rating upgradation takes into account improvement in operational performance during FY2023 and same being sustained during the first 6 months of FY2024. The company has reported revenue of Rs.256.97 Cr in FY2023 registering a growth rate of 29.41 percent against the previous year. During the current year, the company has already achieved revenue of Rs.135 Cr till September 2023. The profitability margins exceedingly improved in FY2023. The operating margins stood at 7.67 percent in FY2023 and PAT margin stood at 4.11 percent in FY2023. The financial risk profile of Batliboi continues to be above -average with moderate debt protection metrics and low gearing. The overall gearing of the Company stood at 0.55 times as on March 31, 2023 as against 0.59 times as on March 31, 2022. The interest coverage ratio stood at 3.92 times in FY2023 as against 1.17 times in FY2022.

Further, the rating continues to derive strength from the experienced management, established track record of operations and adequate liquidity position.

The rating is however constrained by moderate intensive working capital operations and intense competition in industry.

About Company

Incorporated in 1941 in Mumbai, and is promoted by the Bhogilal family. The company went public in 1988. As on date, the company has its equity shares listed on BSE. The company is primarily in the manufacturing sector of Machine Tools, Air Engineering, Textile Machinery Environmental Engineering, Wind Energy, etc. The manufacturing facility is located in Surat, Gujarat, whilst, the company is headquartered in Mumbai, Maharashtra. 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 Pratapsingh Hariani, Mr. Nirmal Pratap Bhogilal, Miss. Sheela Nirmal Bhogilal, Mr. George

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité 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

Batliboi was established in 1892, after which, the company was incorporated as Batliboi 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. The promoters of the company have been in the machine tools manufacturing and textile machinery manufacturing for more than six decades. For the year ended March 2023, the production capacity at which the company was operating was approx. 84.33%. 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.

Batliboi reported Rs.256.97 Cr of revenue in FY2023 which is 29.41 percent higher than FY2022. The operating margin improved and stood at 7.67 percent as on FY2023 as against 4.82 percent as on FY2022. The improvement in the operating margins is due to operational restructuring by the company by reducing overhead cost and employee cost. The PAT margins of the Batliboi stood at 4.11 per cent in FY2023 as against (2.11) percent in FY2022. Batliboi improved its PAT margin by directors infusing unsecured loan for the repayment of the working capital loans, intercorporate deposits and thereby reducing the interest cost. In the 6MFY2024, Batliboi has reported Rs.135.46 Cr of the revenue with operating margin of 7.38 percent.

Acuite believes that Batliboi operating income to improve over the near to medium term owing to experienced management and established track record of operations.

Above -average financial risk profile

The financial risk profile of Batliboi is above -average, marked by healthy gearing ratios, moderate debt protection metrics and high Net worth. The net worth of the company stood at Rs.136.02 Cr as on March 31, 2023 against Rs.125.32 Cr in the March 31, 2022. The total debt of Rs.74.93 Cr as on March 31, 2023 consist of long-term debt of Rs.20.40 Cr, unsecured loans from directors of Rs.43.48 Cr, Short term debt of Rs.9.91 Cr and maturing portion of long term borrowings of Rs.1.06 Cr. The debt-equity ratio is stable for the last three years and stood at 0.55 times as on March 31, 2023 as against 0.59 times as on March 31, 2022. TOL/TNW (Total outside liabilities/Total net worth) has improved and stood at 1.12 times as on 31 March, 2023 against 1.29 times in previous year. The Debt- EBITDA of the company has improved and stood at 3.66 times as on March 31, 2023 as against 7.69 times as on March 31, 2022. NCA/TD (Net cash accruals to total debt) stands stable at 0.20 times in FY2023 as against (0.01) times in FY2022. The company has moderate debt protection metrics with Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 3.92 times and 1.26 times respectively in FY2023 as against 1.17 and 0.34 times respectively in the previous year.

Acuite believes that the financial risk profile of the Batliboi will improve in the medium term owing to planned infusion of equity, no major debt funded capex plan and improve in

operating performance of the company.

Weaknesses

Intensive Working Capital Operations

The Company's working capital operations are moderately intensive with the GCA Days being 107 days as on March 31, 2023 compared to 132 days as on March 31, 2022 owing to high debtor days and inventory days. The debtor days are moderate and stood at 49 days as on March 31, 2023 as against 42 days as on 31st March 2022. The inventory days improved and stood at 51 days as on March 31, 2023 as against 66 days as on March 2022. Creditor days have improved in FY2023 as compared to FY2022. However, the creditors days are elevated and stood at 69 days as on March 31, 2023 as against 92 days as on March 31, 2022. Trade payables also includes Rs.1.60 Cr of retention money which are expected to release in next two years. Further, the working capital limits have been moderately utilised at around 56.59 percent in the last 6 months ending September 2023.

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

Intense competition in industry

Batliboi continues to face stiff competition from domestic players in the standardised machinery segment and from imports in case of high value-added Specialised and customised products, which limit its pricing flexibility and margins to an extent. Further, the company's margins remain susceptible to fluctuations in raw material price as its orders are fixed price in nature. Its major raw materials include steel and steel components. However, going forward, consolidation in the industry and Batliboi's efforts to improve its production capacity and efficiency are likely to support its revenues.

Rating Sensitivities

- Significant growth in revenue and profitability.
- Further stretch in the working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.
- Deterioration in the financial risk profile and stretch in liquidity position.

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Liquidity Position: Adequate

The liquidity profile of the company remains adequate marked by sufficient generation of net cash accruals in FY2023 to its maturing debt obligations. It has generated cash accruals in the range of Rs.14.73 Cr during year ending March 31, 2023 as against its long term debt obligations of Rs.2.46 Cr for the same period. The company is expected to generate sufficient NCAs in the range of Rs.15.96 -19.86 Cr. against CPLTD of Rs.6.50 Cr. The NCA/TD improved to 0.20 times in FyY023 from (0.01) in FY2022. The current ratio of Batliboi is 1.00 times. Further, the company has moderate reliance on short term bank borrowings with an average utilization of more than 56% for 6 months ended September 2023.

Outlook: stable

Acuité believes that the outlook of Batliboi will remain 'Stable' over the medium term on account of the promoter's extensive experience and established presence in the machine tool industry. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while effectively managing its working capital cycle. The outlook may be revised to 'Negative' in case of significantly lower than expected net cash accruals or lengthening of the working capital cycle; thereby resulting in deterioration in the financial risk profile or liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	256.97	198.57
PAT	Rs. Cr.	10.56	(4.71)
PAT Margin	(%)	4.11	(2.37)
Total Debt/Tangible Net Worth	Times	0.55	0.59
PBDIT/Interest	Times	3.92	1.17

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. 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Apr 2023	Cash Credit	Long Term	1.40	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	7.50	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	0.60	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	2.50	ACUITE B+ Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	3.00	ACUITE B+ Stable (Assigned)
	Letter of Credit	Short Term	11.90	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	15.60	ACUITE A4 (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	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BB Stable Upgraded
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE BB Stable Upgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE BB Stable Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB Stable Upgraded
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.60	ACUITE BB Stable Upgraded
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.40	ACUITE BB Stable Upgraded
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.60	ACUITE A4+ Upgraded
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.90	ACUITE A4+ Upgraded
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A4+ Upgraded

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

1. Queen Projects (Mauritius) Limited
2. Quickmill Inc. – Canada
3. 760 Rye Street Inc. – Canada

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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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