

Press Release

Balaji Engineering

July 08, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	SMERA D
Short Term Rating	SMERA D

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA D** (read as SMERA D) and short term rating of '**SMERA D** (read as SMERA D) on the Rs. 12.50 crore bank facilities of Balaji Engineering.

The Tamil Nadu-based Balaji Engineering, established in 2013 is a partnership firm engaged in the manufacturing of stoneware pipes at Vriddhachalam. BE procures raw materials from local vendors in Tamil Nadu and Karnataka. The firm caters to construction companies in Tamil Nadu, Karnataka and Andhra Pradesh. The day-to-day operations are led by Mr. Ramanathan. The annual production capacity stands at 18,000 MT.

Key Rating Drivers

Strengths

- **Experienced management**

Balaji Engineering (BE) was established in 2013 by Mr. Ramanathan and Mrs. Aruna Balaji. Mr. Ramanathan possesses experience of more than two decades in the said line of business.

Weaknesses

- **Delays in repayment of debts**

The rating reflects delays in servicing of debt obligations by the firm.

- **Small scale of operations**

The scale of operations is small with operating income of Rs.12.84 crore in FY2015-16 compared to Rs. 11.20 crore in FY2014-15. The firm achieved revenue of ~Rs.10.97 crore in FY2016-17 (Provisional).

- **Below average financial risk profile**

The firm has below average financial risk profile marked by net worth of Rs.3.86 crore as on 31 March, 2017 (Provisional) compared to Rs.3.73 crore in the previous year. The debt equity ratio (gearing) stood high at 3.54 times as on 31 March, 2017 (Provisional) compared to 3.01 times as on 31 March, 2016. The Interest coverage ratio (ICR) stood at 1.73 times in FY2016-17 (Provisional) compared to 1.58 times in FY2015-16. The DSCR (debt service coverage ratio) stood at 1.75 times in FY2017 (Provisional).

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets (GCAs) of 253 days for FY2017 (Provisional) as against 165 days for FY2016. This is on account of high inventory days of 218 for FY2017 (provisional) as against 117 for FY2016. The average cash credit utilisation for six months ended May 2017 stood at ~102 percent.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of BE.

Outlook:

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), BE reported profit after tax (PAT) of Rs. 0.01 crore on operating income of Rs.10.97 crore compared with PAT of Rs. 0.03 crore on operating income of Rs. 12.84 crore in the previous year. The net worth stood at Rs. 3.76 crore as on 31 March, 2017 (Provisional) compared to Rs. 3.73 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Dec-2016	Cash Credit	Long Term	INR 2	SMERA B / Stable
	Term Loan	Long Term	INR 7.5	SMERA B / Stable
	Letter of Credit	Short Term	INR 1	SMERA A4
11-Sep-2015	Cash Credit	Long Term	INR 2	SMERA B / Stable
	Term Loan	Long Term	INR 7.5	SMERA B / Stable
	Letter of Credit	Short Term	INR 1	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA D
Term loans	Not Applicable	Not Applicable	30-Apr-2024	7.50	SMERA D
Bank	Not	Not	Not	1.00	SMERA D

guarantee/Letter of Guarantee	Applicable	Applicable	Applicable	
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ABOUT SMERA

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