

Barani Hydraulics India Private Limited

April 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	19.85	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	7.15	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	27.00 (Rs. Twenty-Seven Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Barani Hydraulics India Private Limited (BHIPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on BHIPL's bank facilities will now be denoted as CARE BB; Stable; ISSUER NOT COOPERATING*. /CARE A4; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating assigned to the bank facilities of Barani Hydraulics India Private Limited (BHIPL) continues to be tempered by modest scale of operations, highly competitive & fragmented nature of industry and profitability margins are susceptible to volatility in raw material prices.

The rating derives comfort from long track record with experienced promoters for more than three decades in Engineering Industry with well-established clientele base, resourceful promoter with vast experience with well-established manufacturing facilities, In-house engineering and machining capabilities with qualified staffs, satisfactory profitability margins and capital structure.

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations

The scale of operations indicated by total operating income stood modest and stable at Rs. 59.71 Crore in FY20 as against Rs.59.75 Crore in FY20

Weak debt coverage indicators

The debt coverage indicators of the company stood moderate during review period. Total debt/GCA deteriorated from 8.90 years in FY20 to 10.82years in FY21 due to stable accrual base as against increased overall debt. Nonetheless, interest coverage ratio stood satisfactory at 2.56x in FY21 viz a viz 2.14x in FY20, and total debt/ CFO stood at 13.60x as on March 31, 2021.

Highly competitive & fragmented nature of industry

The Indian machine tools industry is highly fragmented and intensely competitive with presence of numerous organized and unorganized players. The Indian machine tool industry has around 1,000 units in the production of machine tools, accessories/attachments, subsystems and parts. Of these, around 20 units are in the large-scale sector accounting for 70 per cent of the turnover and the rest are in the small sector of the industry. The industry faces high competition from the overseas players as well. The competitive intensity is further stressed by influx of second hand / reconditioned imported machineries at cheaper prices.

Profitability margins are susceptible to volatility in raw material prices

The main raw materials used by BHIPL are iron and steel products, which constitute around 75% of the total cost of sales during the last three years. The prices of these raw materials are governed by demand-supply dynamics and had shown huge fluctuations in past few years. Therefore, the company is exposed to raw material price risk to the extent of loss in the inventory value as the production process is long and it has to keep a good amount of inventory.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Long track record with experienced promoters for more than three decades in Engineering Industry

Barani Hydraulics India Private Limited (BHIPL) was incorporated in September 2004 by Mr. T.K. Karuppannaswamy (Managing Director) and his family member. The promoters of the company has more than three decades of experience in machine manufacturing business, with established clientele base in domestic and foreign region. Prior to the company incorporation of BHIPL, the entity was into the same business since 1988 through proprietorship concern.

Resourceful promoter with vast experience and well established manufacturing facilities

The promoter and directors of the company are qualified engineers. The promoter of the company has more than three decades of experience in machine manufacturing business, while other has more than a decades of experience in same industry. BHIPL has well-established manufacturing facilities, which is located at Kalappatti, Coimbatore, Tamil Nadu. The company also has in-house innovation team to manufacture and rebuild new products with its latest CNC machines with high precision are in place to meet the quality and needs of the customers. BHIPL enjoys good market exposure for manufacturing of various machines and is supplied to GE in USA.

In-house engineering and machining capabilities with qualified staffs

BHIPL's design and engineering capability and ability to manufacture different types of machinery with consistent quality and reliability is well acknowledged by its Tier I customers, who have been giving repeat orders. With increase in demand for machined products, presence of machining facilities is an added advantage. The company has the ability to prepare new customised machines for each new order based on the customer's specifications which has helped it to expand its product portfolio. Also, the company has well qualified and experienced staff for the operations and has also awarded various certifications i.e., ISO 9001:2015 and various other certificates from foreign companies.

Satisfactory Profitability margins and capital structure

The PBILDT margin of the company has remained stable and satisfactory at 10.09% in FY21 as against 9.93% in FY20. Net profit margin remained stable at 2.72% in FY21 viz a viz 2.93% in FY20.

The capital structure of the company stood satisfactory as on March 31, 2021 marked by overall gearing ratio of 1.49x viz a viz 1.37x as on March 31, 2020.

Liquidity analysis: Stretched

Liquidity position of the company stood stretched indicated by tightly matched cash accruals as against repayment obligations of Rs. 2.61 Crore in FY22. The operating cycle of BHIPL stood elongated at 229 days in FY21 as compared to 216 days in FY20 due to high inventory holding days. Inventory is in the form of raw materials which occupies almost 45% so as to meet the sudden demand of the customers, and during last quarter of the year, the company starts to execute high number of orders wherein it has notable portion of both raw materials and finished goods. The credit terms with suppliers are maintained up to 90 days while on collection from customers extends up to 3 – 4 months. The average utilization of working capital borrowing stood at 90% for past twelve months i.e. February 2022.

Analytical approach: Standalone.

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the Company

Coimbatore based, Barani Hydraulics India Private Limited (BHIPL) was incorporated in the year 2004 by Mr. T.K. Karuppannaswamy who has more than three decades of business experience. Prior to the incorporation of this company, the promoter was operating the business as a proprietorship concern since 1988. The promoters of the company are qualified Engineers and have more than a decades of experience in the similar industry, along with qualified staff. BHIPL is engaged in business of manufacturing of custom build products.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	11MFY22 (UA)
Total operating income	59.75	59.71	75.00
PBILDT	5.93	6.03	NA
PAT	1.75	1.63	NA
Overall gearing (times)	1.37	1.49	NA
Interest coverage (times)	2.14	2.56	NA

*A-Audited ; NA – Not Available UA - Unaudited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this firm: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Dec 2024	2.85	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Packing Credit in Indian rupee		-	-	-	4.65	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	2.50	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	17.00	CARE BB; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	2.85	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (01-Apr-21)	-	1)CARE BB; Stable (24-Mar-20)	1)CARE BB; Stable (08-Feb-19)
2	Fund-based - ST-Packing Credit in Indian rupee	ST	4.65	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (01-Apr-21)	-	1)CARE A4 (24-Mar-20)	1)CARE A4 (08-Feb-19)
3	Non-fund-based - ST-Bank Guarantee	ST	2.50	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (01-Apr-21)	-	1)CARE A4 (24-Mar-20)	1)CARE A4 (08-Feb-19)
4	Fund-based - LT-Cash Credit	LT	17.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (01-Apr-21)	-	1)CARE BB; Stable (24-Mar-20)	1)CARE BB; Stable (08-Feb-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Packing Credit in Indian rupee	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Swathi Subramanian
Contact no.: 0422 - 4502399
Email ID: swathi.subramanian@careedge.in

Relationship Contact

Name: Pradeep Kumar V
Contact no.: +91-98407 54521
Email ID: pradeep.kumar@careedge.in

About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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