

Balaji Enterprises (Patna)

April 05, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	3.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	15.00 (Rs. Fifteen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd has been seeking information from Balaji Enterprises (Patna) (BEP) to monitor the ratings vide e-mail communications/letters dated September 14, 2021, October 20, 2021, November 17, 2021, January 07, 2022, January 24, 2022, February 01, 2022, February 17, 2022, February 22, 2022, February 23, 2022, February 28, 2022, March 02, 2022, March 04, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd's opinion is not sufficient to arrive at a fair rating. The rating on BEP'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 Balaji Enterprises (Patna) (BEP) considers small scale of operations with moderate profitability margins, moderate capital structure and debt coverage indicators and high gross current assets days resulting into large working capital requirement during FY20 (Audited) (refers to period April 01 to March 31). Further, the rating also factored in proprietorship nature of constitution, intensely competitive industry. However, the ratings continue to derive strength from experienced proprietor.

Detailed description of the key rating drivers

At the time of last rating on April 19, 2021 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Small scale of operations with moderate profitability margins

The scale of operations of the entity remained small marked by total operating income of Rs.60.39 crore (FY19: Rs.53.74 crore) and PAT of Rs.0.53 crore (FY19: Rs.0.54 crore) in FY20. Furthermore, the tangible net worth also remained small at Rs.6.93 crore as on March 31, 2020. The small size restricts the financial flexibility of the entity in times of stress. The profit margins also remained moderate marked by operating margin of 4.45% (FY19:4.45%) and PAT margin of 0.88% (FY19:1.00%) in FY20. There was restriction on the operation since the lockdown was imposed on 25th March, 2020 and accordingly the operation of the entity was on temporarily on hold. However, the entity has resumed its operation from July 01, 2020 and it has booked a turnover of Rs.55.60 crore during 11MFY21.

Proprietorship nature of constitution

BEP, being a proprietorship entity, is exposed to inherent risk of the proprietor's capital being withdrawn at time of personal contingency and entity being dissolved upon the death/insolvency of the proprietor. Furthermore, proprietorship entities have restricted access to external borrowing as credit worthiness of promoter would be the key factors affecting credit decision for the lenders.

High gross current assets days resulting into large working capital requirement

The operations of the entity remained highly working capital intensive as reflected by its high gross current assets days of 160 days (136 days in FY19) in FY20. The entity mainly supplies its products to government units and accordingly the average

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

collection period remained on the higher side during last three years. Further, the entity maintain inventory of around one and half months for smooth running of its production process. Accordingly, the average utilisation of working capital was around 90% during last 12 months ended February 28, 2021. Moreover, it avails around a month credit from its suppliers which mitigates its working capital intensity to a certain extent.

Moderate capital structure and debt coverage indicators

The capital structure of the entity has improved as on March 31, 2020 on account of schedule repayment of term loans and relatively lower utilisation of working capital but the same remained moderate marked by overall gearing ratio of 1.55x as on March 31, 2020 as against 1.82x as on March 31, 2019. Further, the debt coverage indicators also remained moderate marked by interest coverage of 1.74x (FY19: 2.01x) and total debt to GCA of 9.41x (FY19: 10.89x) in FY20. Moreover, interest coverage has deteriorated in FY20 due to increase in interest expenses. However, total debt to GCA has improved in FY20 on account of relatively lower debt levels as on account closing date.

Intensely competitive industry

BEP faces stiff competition from the organized as well as unorganized players in the industry. This apart, the entity faces tough competition from various regional and local players with unorganized industry being highly fragmented. Highly competitive pressure limits the pricing flexibility of the industry participants which induces pressure on profitability.

Key Rating Strengths

Experienced proprietor

BEP into manufacturing of aluminium wire, conductors and cables business since 2005 and thus has more than 15 years of track record of operations. Being in the same line of business since long period, the proprietor has built up established relationship with its customer and suppliers. The proprietor; Mr. Jeevan Kumar has more than 15 years of experience in same line of business looks after the overall management of the entity.

Analytical Approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

About the Firm

Balaji Enterprise (Patna) an ISO 9001/2008 certified entity was constituted as a proprietorship entity in the year 2005 by Mr. Jeevan Kumar based out of Patna, Bihar. The entity manufactures and sales of aluminium wire, brass & copper studs and cable conductors. The entity purchases aluminium rods mainly from National Aluminium Company Limited, (NALCO) and it supplies the manufactures wires and conductors to various government units. The major client of the entity is Dakshinanchan Vidut Vitran Nigam Limited (DVVNL). This apart, the entity also trades in sand, stone & chips and excavators and its spare parts and rice and rice brans. Mr. Jeevan Kumar, has more than fifteen years of experience in the similar line of business; looks after the overall management of the entity.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021(A)	FY22(Prov.)
Total operating income	60.39	NA	NA
PBILDT	2.69	NA	NA
PAT	0.53	NA	NA
Overall gearing (times)	1.55	NA	NA
Interest coverage (times)	1.74	NA	NA

A; Audited; Prov.; Provisional; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument/facility: Please refer Annexure-3

Complexity level of various instruments rated for this firm: Please refer 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-Cash Credit		-	-	-	12.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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-Cash Credit	LT	12.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (19-Apr-21)	-	-	-
2	Non-fund-based - ST-Bank Guarantee	ST	3.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (19-Apr-21)	-	-	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**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	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 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.

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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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