

Baroda Equipment and Vessels Private Limited

August 21, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities/ Short term Bank Facilities	5.50	CARE BB- / CARE A4; ISSUER NOT COOPERATING (Double B Minus / A Four; ISSUER NOT COOPERATING)*	Revised from CARE BB / CARE A4 (Double B / A Four); Issuer Not Cooperating; Based on best available information
Short term Bank Facilities	4.20	CARE A4; ISSUER NOT COOPERATING (A Four; ISSUER NOT COOPERATING)*	Issuer not cooperating; Based on best available information
Total Facilities	9.70 (Rs. Nine Crore and Seventy Lakh Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated June 7, 2018, placed the ratings of Baroda Equipment and Vessels Private Limited (BEVPL) under the 'issuer non-cooperating' category as BEVPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. BEVPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated June 19, 2019, June 21, 2019, June 26, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

The ratings have been revised on account of its its modest scale of operations and net loss along with deterioration in debt coverage indicators in FY18 (refers to the period April 1 to March 31). The ratings further remain constrained due to susceptibility of the operating margins to volatile raw material prices and foreign exchange rate fluctuations. The ratings, however, continues to derive strength from the experienced promoters along with comfortable capital structure during FY18.

Detailed description of the key rating drivers

At the time of last rating on June 7, 2018 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies)

Key Rating Weaknesses

Modest scale of operations and net loss during FY18

During FY18, Scale of operations of BEVPL improved by 18.73% y-o-y, but continued to remain modest at Rs.23.84 crore during FY18 as against Rs.20.08 crore during FY17. Operating profitability of BEVPL deteriorated significantly viz. decrease in PBILDT margin by 871 bps and remained at 2.46% during FY18 as against 11.17% in FY17 on account of increase in procurement cost of raw materials coupled with increase in employee expense during FY18. Consequently, net income of Rs.0.27 crore during FY17 converted into net loss of Rs.1.30 crore during FY18.

Deterioration in debt coverage indicators

Debt coverage indicators of BEVPL have deteriorated during FY18 as marked by Interest coverage ratio which decreased to 1.34 times during FY18 from 4.89 times during FY17 on account of decrease in operating profit during FY18. Further, total debt to GCA ratio of the company also deteriorated and remained at 6.50 times during FY18 as against 2.29 times during FY17 on account of decrease in GCA level during FY18.

Susceptibility of profit margins to volatility in stainless steel prices and foreign exchange fluctuation risk

BEVPL is mainly in the business of designing, fabricating, assembling and selling pressure vessels, heat exchangers mainly in power projects, metal, oil and gas, chemicals and petrochemicals industries and chemical industry. The turnover of BEVPL is

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

* Issuer not cooperating; Based on best available information

largely driven by the orders bagged from new customers and orders from the existing customers in case of expansion being undertaken. Hence, in case of economic slowdown, BEVPL operation remains exposed to risk as companies tends to cancel or defer their capital expenditures plans. Furthermore, being a small player, it has limited bargaining power over customers and thereby has to bear the adverse movement in the raw material prices. Also, in absence of any active hedging policy, profit margins of BEVPL also remained exposed to the foreign exchange fluctuation risk.

Key Rating Strengths

Experienced promoters

BEVPL is jointly promoted by five technocrats Mr Keith Harmer and his associates having wide experience in the heavy engineering industry in global markets. Mr Lekshminarayanan S., Managing Director of BEVPL, has experience of more than 25 years in this field and looks after the company's overall operations in India. The promoters are also assisted by a well-qualified second tier team of engineers having wide experience in this industry.

Comfortable capital structure and debt coverage indicators

Solvency position of BEVPL continued to remain comfortable as indicated by an overall gearing which improved to 0.03 times as on March 31, 2018 as compared to 0.14 times as on March 31, 2017 due to lower working capital borrowings as on March 31, 2018. The net worth of the company remained at Rs.29.03 crore as on March 31, 2018 as against Rs.30.26 crore as on March 31, 2017 on account of net loss during FY18.

Liquidity Analysis

The liquidity position of the company remained satisfactory marked by current ratio 3.61 times as March 31, 2018 as against 2.57 times as on March 31, 2017. The average working capital limits utilization during past twelve months ended on August, 2015 has also remained at 74% of working capital limit. Though operating cycle of BEVPL improved over the previous year, it continued to remain elongated at 212 days in FY18 as against 236 days in FY17 on the back of decrease in inventory period. Further, cash and bank balance remained at Rs.1.00 crore as on March 31, 2018 and cash flow from operations remained positive at Rs. 0.73 crore in FY18.

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](#)

[CARE's methodology for manufacturing companies](#)

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

About the Company

Incorporated in October 2007, Vadodara based BEVPL is engaged in manufacturing of wide range of customized products like pressure vessels, heat exchangers, pressure piping, storage tanks, boiler pressure parts, skid mounted assemblies and miscellaneous static equipment for process plants. The manufacturing unit of BEVPL is located at Padra, Vadodara. The plant is approved for the manufacture of pressure vessels and heat exchangers under the particular rules specified by TUV-Nord Systems GmbH. BEVPL is an approved shop under Indian Boiler Regulations, 1950, for manufacturing of boilers and boiler pressure parts under IBR Stamp.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	20.08	23.84
PBILDT	2.24	0.59
PAT	0.27	(1.30)
Overall gearing (times)	0.14	0.03
Interest coverage (times)	4.89	1.34

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	5.50	CARE BB- / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB / CARE A4; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	1.20	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

* 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	5.50	CARE BB- / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB / CARE A4; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB / CARE A4; ISSUER NOT COOPERATING* (07-Jun-18)	-	1)CARE BB / CARE A4; ISSUER NOT COOPERATING* (30-Mar-17)
2.	Non-fund-based - ST-BG/LC	ST	3.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (07-Jun-18)	-	1)CARE A4; ISSUER NOT COOPERATING* (30-Mar-17)
3.	Non-fund-based - ST-Bank Guarantees	ST	1.20	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (07-Jun-18)	-	1)CARE A4; ISSUER NOT COOPERATING* (30-Mar-17)

* Based on best available information

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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