



## Press Release

### Birla Precision Technologies Limited

November 20, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	41.75	IVR BBB/Stable  (IVR Triple B With Stable Outlook)	-	Assigned	<a href="#">Simple</a>
Short Term Facilities	7.00	IVR A3+  (IVR A Three plus)	-	Assigned	<a href="#">Simple</a>
Long Term Facilities-Proposed	21.25	IVR BBB/Stable  (IVR Triple B With Stable Outlook)	-	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>70.00</b> <b>(Rupees Seventy Crore only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has assigned its ratings to the Bank facilities of Birla Precision Technologies Limited (BPTL). The ratings derive comfort from established track record of the company in tool manufacturing Industry, comfortable capital structure with satisfactory debt protection metrics and diversified customer profile. However, these rating strengths remain constrained due to working capital intensive nature of operations, high competition, and profit margins being exposed to fluctuations in steel price movements.

The stable outlook is attributed to established track record of the company in tool manufacturing industry and its diverse customer base.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant growth in revenue and profitability on sustained basis.
- Successful timely completion of capex.

#### **Downward Factors**

- Significant decline in revenue and/or decline in EBITDA margins
- Any large unplanned debt funded capex leading deterioration in financial profile.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Established track record of the company in tool manufacturing Industry.**

BPTL is an engineering company founded in 1986, which primarily manufactures auto components and industrial engineering tools. The company operates in three key segments: tool holders, cutting tools, and precision components for automotive and industrial applications. Its tool holder segment was established in 1986 as a joint venture with Kennametal Inc., USA, and was previously known as Birla Kennametal, a global leader in advanced metallurgy and metal cutting solutions. The precision and automotive segment of BPTL was launched in 1998 through a technical alliance with Italy's renowned Perucchini spa. Over the years, BPTL has built a strong industry reputation, leveraging its extensive track record and advanced technology.

##### **Comfortable capital structure with satisfactory debt protection metrics**

The capital structure of the BPTL remained comfortable as on March 31,2024. Moreover, the leverage ratios, continued to remain comfortable due to the scheduled repayment of debt obligations. The debt equity ratio and overall gearing ratio stood comfortable at 0.08x and 0.34x respectively as on March 31,2024 (0.07x and 0.26x respectively as on March 31, 2023). Further, Total indebtedness also remained comfortable marked by TOL/TNW at 0.89x as on March 31,2024. The debt protection metrics as indicated by interest coverage ratio was comfortable at 7.44x in FY24.

#### **Diversified customer profile**



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BPTL sells its products in both domestic and international markets, with exports accounting for 15% of total revenue in FY24 (refers to period from April 01,2023 to March 31,2024). The company caters to a wide range of customers, including traders, dealers, and end customers, primarily in the automobile and engineering sectors, as well as in defence, railways, and aerospace industries. Its clientele includes leading automobile and engine manufacturers, and its export markets include the USA, Japan, and Europe. The company also holds a One Star Export House Certificate issued by the Ministry of Commerce. This diverse customer base reduces the company's dependence on any single customer, thereby mitigating risks related to sector-specific challenges, fluctuations in global markets, and changes in international relations.

### **Key Rating Weaknesses**

#### **Working capital intensive nature of operations**

BPLT's operations remain working capital-intensive, as its business requires significant amount of working capital primarily as considerable time is taken between purchase of raw materials and collections of receivables post sales to customers. It is required to maintain sufficient stock at all times in order to meet customers' requirements. The operating cycle remained in the range of 90 to 110 days in the past three years. The same has elongated and stood at 117 days in FY24 {as against 89 days in FY23 (A)} mainly on account of increase in average inventory days from 89 days in FY23 to 110 days in FY24.

#### **Highly competitive and fragmented industry**

BPTL operates in auto ancillary industry. There are three product segments which cater to various industries like Defence, Railways and Aerospace. However large proportion of revenue is contributed by auto ancillary industry.

This industry is highly competitive and fragmented, with numerous players competing for market share. This intense competition, combined with a wide range of small and medium-sized companies, makes it challenging for any single company to dominate the market.



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### **Profit margins exposed to fluctuations in steel price movements**

BPTL's profitability is vulnerable to the volatility in the raw material prices. The prices of key raw materials, such as HSS Steel and alloy steel have shown a volatile trend over the years and are determined by market forces. Further, the company's profitability remains exposed to adverse fluctuations in foreign currency as 15% of its sales are from exports.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

The liquidity position of BPTL is adequate marked by sufficient cash accruals as against its repayment obligations. Its average fund based working capital limit utilization stood at ~83% for the last 12 months ended September 2024. The current ratio of the company stood at 1.78x as on March 31, 2024.

### **About the Company**

BPTL an Engineering company, based out of Maharashtra was incorporated in 1986. It was originally promoted by Mr .Ashok Birla. Currently his grandson Mr. Vedant Birla is spearheading it. BPTL is mainly involved in auto components and industrial engineering. It has three segments which are Tool holder division, cutting tools and precision components division. The products manufactured by the company are mainly used by Automobile and Engineering sectors besides Defence undertakings, Railways, Government Undertakings and Aeronautic Undertakings. It has manufacturing units at Nashik, Aurangabad and Chalisgaon in Maharashtra.



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### Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	253.37	225.77
EBITDA	18.24	25.97
PAT	15.28	10.66
Total Debt	32.40	43.47
Tangible Net Worth	132.58	153.03
EBITDA Margin (%)	7.20	11.50
PAT Margin (%)	5.80	4.68
Overall Gearing Ratio (x)	0.26	0.34
Interest Coverage (x)	5.51	7.44

\* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in T-1	Date(s) & Rating(s) assigned in T-2	Date(s) & Rating(s) assigned in T-3
					Date (Month XX, 20XX)	Date (Month XX, 20XX)	Date (Month XX, 20XX)
1.	Cash Credit	Long Term	35.00	IVR BBB/Stable  (IVR Triple B with stable outlook)	-	-	-
2.	GECL	Long Term	6.75	IVR BBB/Stable	-	-	-



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					Date (Month XX, 20XX)	Date (Month XX, 20XX)	Date (Month XX, 20XX)
				(IVR Triple B with stable outlook)			
3.	Proposed	Long Term	21.25	IVR BBB/Stable  (IVR Triple B with stable outlook)	-	-	-
4.	Foreign Bills	Short Term	7.00	IVR A3+  (IVR A Three Plus)	-	-	-

### Analytical Contacts:

Name: Jyotsna Gadgil  
Tel: (020) 29913006  
Email: [jyotsna.gadgil@infomerics.com](mailto:jyotsna.gadgil@infomerics.com)

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/Security	ISIN	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/Outlook
Long Term Fund Based Limits - Cash Credit	-	-	-	-	35.00	IVR BBB/ Stable  (IVR Triple B with stable outlook)
Long Term Fund Based Limits – GECL	-	-	-	January 2028	6.75	IVR BBB/ Stable



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						(IVR Triple B with stable outlook)
Long Term Fund Based Limits-Proposed	-	-	-	-	21.25	IVR BBB/ Stable  (IVR Triple B with stable outlook)
Short Term - Fund Based	-	-	-	-	7.00	IVR A3+ (IVR A Three Plus)

**Annexure 2: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Birla-Precision-nov24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

Name of the Security		Detailed Explanation
	<b>Financial Covenant</b>	
	i.	
	ii.	
	<b>Non-financial Covenant</b>	
	i.	
	ii.	

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).