

December 14, 2015

Facilities	Amount (Rs. Crore)	Rating
<b>Electronic Dealer Finance System (eDFS)</b>	<b>6.00</b>	<b>SMERA B+/Stable (Assigned)</b>
<b>Adhoc eDFS</b>	<b>1.50</b>	<b>SMERA B+/Stable (Assigned)</b>
<b>Bank Guarantee</b>	<b>0.50</b>	<b>SMERA B+/Stable (Assigned)</b>

*Long term rating has been assigned at the request of the client and banker*

SMERA has assigned a long term rating of '**SMERA B+**' (read as **SMERA B plus**) to the Rs.8.00 crore bank facilities of Bharat Kumar & Co. Private Limited (BKC). The outlook is '**Stable**'. The rating is constrained by the modest scale of operations amidst intense competition in the paper industry and thin profitability due to the trading nature of business. The rating is also constrained by low interest coverage and elongated working capital cycle on account of high receivable levels. However, the rating is supported by the experienced management, low adjusted gearing (after considering unsecured loans from relatives and friends as quasi equity) and long association with ITC Limited (Paper and Paperboard division).

### Rating Sensitivity Factors

- Ability to scale up operations and profitability
- Maintaining comfortable capital structure
- Efficient working capital management

### Outlook – Stable

SMERA believes that BKC will continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the firm scales up its operations while improving profitability and maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline of revenue and deterioration of profit margins or capital structure.

### About the Company

Bharat Kumar & Co. Private Limited (BKC), established in 1988 as Bharat Kumar & Co, a partnership firm by Mr. Vijay Modi and family was changed to private limited in 2010. The company is engaged in the trading of paper and paperboards and is an authorised distributor of ITC Limited (Paperboard and Specialty Paper Division) since 1998 catering to the states of Bihar, Jharkhand, Assam and West Bengal (maximum sales in Kolkata). The day-to-day activities are managed by Mr. Vijay Modi and his sons Mr. Bhagirath Modi and Mr. Bharat Modi.

For FY2014-15, BKC reported net profit of Rs.0.12 crore on operating income of Rs.50.75 crore as compared to net profit of Rs.0.09 crore on operating income of Rs.39.68 crore in FY2013-14.

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