

Press Release

Bhagawati Oxygen Limited

July 11, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 13.75 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 13.75 crore bank facilities of Bhagawati Oxygen Limited. The outlook is '**Stable**'.

Bhagawati Oxygen Limited (BOL), established in 1972 by Mr. Suresh Kumar Sharma is engaged in the business of industrial gases. The company's plants are located at Ballabhgarh, Haryana and Ghatshila, Bihar with installed capacity of 25 TPD. The company is led by Directors, Mr. Suresh Kumar Sharma, Mr. Himanshu Sharma, Mr. Bipin Bihari Lal and others and caters to Hindustan Copper Limited (HCL).

Key Rating Drivers

Strengths

- **Experienced management**

The company is led by Mr. Suresh Kumar Sharma, Chairman who possesses experience of more than four decades in the aforementioned line of business. He is well supported by his son, Mr. Himanshu Sharma with experience of around two decades in the industry.

- **Above average financial risk profile**

The above average financial risk profile is marked by moderate net worth of Rs.12.70 crore as on 31 March, 2017 (Provisional) compared to Rs.11.76 crore in FY2016. The gearing is modest at 1.10 times in FY2017 (Provisional) against 0.06 times in FY2016. The increase in gearing levels have been mainly due to the company availing a term loan for enhancement in capacity to 75 tpd from the existing 25 tpd. The debt protection metrics are healthy with interest coverage of 9.56 times in FY2017 (Provisional) against 33.41 times in FY2016. The DSCR stood at 9.56 times in FY2017 (Provisional) as against 26.99 times in FY2016. The NCA/TD stood at 0.13 times in FY2017 (Provisional). SMERA believes that going forward BOL will maintain its comfortable financial risk profile over the medium term backed by improvement in profitability margins and steady accruals.

Weaknesses

- **Moderate scale of operations**

With operational track record of more than four decades, BOL's revenue stands at a moderate Rs.10.01 crore in FY2017 (Provisional) as against Rs.10.23 crore in FY2016.

- **Working capital intensive operations**

BOL's operations are working capital intensive evident from the high gross current assets (GCA) days of 281 during FY2017 (Provisional) compared to 205 days in FY2016. This necessitates working capital requirements as funds get blocked in debtors. The debtor days stood at 118 days in FY2017 (Provisional) compared to 92 days in FY2016. The debtor level increased mainly due to delay in payments from HCL.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of BOL.

Outlook: Stable

SMERA believes that BOL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue while achieving stability in profits. However, the outlook may be revised to 'Negative' if the company fails to achieve the expected scalability or if the financial profile deteriorates owing to increase in debt-funded capital mix.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), BOL reported profit after tax (PAT) of Rs.1.38 crore on total operating income of Rs.10.01 crore, as compared with PAT of Rs.0.67 crore on total operating income of Rs.10.23 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Mar-2016	Term Loan	Long Term	INR 12.75	SMERA BB- / Stable
	Cash Credit	Long Term	INR 1	SMERA BB- / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	12.75	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable

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