

Bharat Industrial Corporation: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA B/Stable (Assigned)
Packing Credit	4.00	SMERA A4 (Assigned)
Post-Shipment Credit	3.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of **'SMERA B' (read as SMERA B)** and short term rating of **'SMERA A4' (read as SMERA A four)** to the Rs.12.00 crore bank facilities of Bharat Industrial Corporation (BIC). The outlook is **'Stable'**.

The ratings are constrained by the below average financial risk profile, working capital intensive operations and declining revenue. However, the ratings derive comfort from the established track record of operations, extensive experience of the promoters and healthy margins.

BIC is a partnership engaged in the manufacture and sale of incense sticks, dhoop cones and sticks for domestic and export markets. The firm has below average financial risk profile marked by low networth of Rs.1.97 crore as on 31st March 2016 as compared to Rs.3.61 crore as on 31 March 2015. The firm's gearing is high at 8.55 times as on 31st March 2016 as compared to 3.50 times as on 31st March 2015. The Interest coverage ratio stood low at 1.81 times for FY2015-16 as compared to 2.00 times for FY2014-15. BIC's operations are working-capital-intensive in nature, as reflected in its gross current assets of ~197 days for FY2015-16; on account of high receivable days of 71 days for FY2015-16. The revenue of the firm has been declining year on year. The firm's revenues fell to Rs.43.26 crore in FY2015-16 as compared to Rs.47.01 crore in FY2014-15 on account of unfavourable government policies in Egypt.

However, BIC, established as a partnership firm in 1965 by Mr. Bharat Shah, benefits from its long track record of operations. The partners, Mr. Ronak B Shah, Mrs. Payal H Shah and Mr. Tejesh Shah possess decades of experience in the manufacturing of perfumed incense and dhoop sticks. BIC has healthy operating margins of 6.23 per cent in FY2015-16. The PAT margin stood at 1.34 per cent in FY2015-16 as compared with 1.83 times in FY2014-15.

Rating Sensitivity Factors

- Scaling up operations and improving profitability
- Effective working capital management

Criteria applied to arrive at the rating:

- Manufacturing Entities

Outlook-Stable

SMERA believes that the outlook on BIC will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of an improvement in the firm's scale of operations and effective working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial profile.

About the Firm

BIC was established in 1965 as a partnership firm by Mr. Bharat Shah. The firm, engaged in the manufacture and sale of incense sticks, dhoop cones and sticks for the domestic and export markets, is headed by Partners, Mr. Ronak B Shah, Mrs. Payal H Shah and Mr. Tejesh Shah.

For FY2015-16, BIC registered profit after tax (PAT) of Rs.0.58 crore on operating income of Rs.43.26 crore as against profit after tax of Rs.0.86 crore on operating income of Rs.47.01 crore in FY2014-15.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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