

Press Release

Bharat Industrial Corporation

June 28, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated	Rs. 13.00 crore (enhanced from Rs. 12.00 crore)
Long Term Rating	ACUITE B+/ Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on Rs. 13.00 crore bank facilities of **BHARAT INDUSTRIAL CORPORATION** (BIC). The outlook is '**Stable**'.

BIC, a partnership firm established in 1965 is engaged in the manufacturing and marketing of incense sticks, and dhoop cones and sticks under the 'Panchavati' brand name. The partners of the firm are Mr. Ronak B Shah, Mrs. Payal H Shah and Mr. Tejesh Shah. The manufacturing facility is located at Bangalore (Karnataka) with installed capacity of around 4.29 lakh dozens of incense sticks and around 2.86 lakh dozens of dhoop sticks per annum. The firm exports its products to Iraq, UAE, Ethiopia and Chile.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of BIC to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoter and established track record of operations**

Established in 1965 by Mr. Bharat Shah, BIC is a partnership firm. The partners, Mr. Ronak B Shah, Mrs. Payal H Shah and Mr. Tejesh Shah have more than four decades of experience in the same line of business.

Weaknesses

- **Moderate scale of operations**

BIC has moderate scale of operations during the period FY2016 to FY2018 under the study. The revenues stood at Rs.31.00 crore in FY2018 as against Rs.37.31 crore in FY2017 and Rs.43.26 crore in FY2016. The reason for revenues to decline Y-o-Y is because of slow down in the sale of incense sticks to Egypt due to changes in the government policies of Egypt. Further, the firm has registered revenues of ~Rs. 32.59 crore for the period April 2018 to March 2019 (Provisional).

- **Below-average financial risk profile**

The financial risk profile of the firm has remained weak owing to low net worth, high gearing and modest debt protection metrics. The net worth of BIC has improved from Rs. 3.34 crore in FY2017 to Rs. 4.22 crore in FY2018 mainly on account of accretion of profits. The total debt increased from Rs. 15.35 crore in FY2017 to Rs. 16.13 crore in FY2018 which consisted of long term debt of Rs. 1.61 crore, CPLTD of Rs. 0.07 crore, unsecured loans of Rs. 1.15 crore, short term debt of Rs. 13.30 crore as on March 31, 2018. The debt-equity (gearing) improved to 3.83 times in FY2018 as compared to 4.60 times in FY2017 due to increase in the tangible net worth. The interest coverage ratio and DSCR has remained in the same line and stood at 1.29 times and 1.16 times in FY2018 compared to 1.52 times and 1.35 times in FY2017, respectively. NCA/TD stood at 0.02 times in FY2018 as against 0.05 times in FY2017.

• Working capital management

The operations of the firm have remained working capital intensive marked by high Gross Current Asset (GCA) of 273 days in FY2018 as against 224 days in FY2017. This is majorly on account of increase in inventory holding period to 147 days in FY2018 (PY: 125 days) and debtor days to 106 days in FY2018 (PY: 96 days) due to delay in realisation of receivable which were through exports. The credit period allowed by the suppliers range between 50 to 60 days which results in full utilisation of the bank limits.

Liquidity Position:

BIC's liquidity profile is stretched marked by almost full utilisation of short term bank limits. The bank limit of the company remains utilised at ~98 percent during 6 months period ended May 2019. The company generated cash accruals of Rs.0.38-0.86 crore during the last three years through 2017-18, while its maturing debt obligations were minimum in the range of Rs.0.07-0.10 crore over the same period. The firm had maintained unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2018. The current ratio of the company stood modest at 1.32 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain modest over the medium term on account of modest cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook on BIC will remain 'Stable' over the medium term on account of 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 further decline in revenues and profitability of the firm.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.00	37.31	43.26
EBITDA	Rs. Cr.	2.15	2.47	2.69
PAT	Rs. Cr.	0.16	0.45	0.58
EBITDA Margin	(%)	6.94	6.63	6.23
PAT Margin	(%)	0.51	1.21	1.34
ROCE	(%)	9.92	11.94	13.94
Total Debt/Tangible Net Worth	Times	3.83	4.60	8.55
PBDIT/Interest	Times	1.29	1.52	1.81
Total Debt/PBDIT	Times	7.48	6.18	6.19
Gross Current Assets (Days)	Days	286	223	198

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Feb-2019	Cash credit	Long Term	5.00	ACUITE B+/Stable (Reaffirmed)
	PC/PCFC	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Post Shipment Credit	Short Term	3.00	ACUITE A4 (Reaffirmed)
10-Jan-2018	Cash credit	Long Term	5.00	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
	Packing Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Post Shipment Credit	Short Term	3.00	ACUITE A4 (Reaffirmed)
02-Nov-2016	Cash credit	Long Term	5.00	ACUITE B/Stable (Assigned)
	Packing Credit	Short Term	4.00	ACUITE A4 (Assigned)
	Post Shipment Credit	Short Term	3.00	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	5.50 (enhanced from Rs. 5.00 crore)	ACUITE B+/Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Reaffirmed)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)
Proposed long term	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE B+/Stable (Assigned)

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About Acuité Ratings & Research:

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