

## Press Release

### Bharat Industrial Corporation

September 15, 2020



## Rating Reaffirmed

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

## Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.13 crore bank facilities of Bharat Industrial Corporation. The outlook is '**Stable**'.

Bharat Industrial Corporation (BIC) is a Bangalore based partnership firm, established in 1965. The firm is promoted by Tejesh Shah, Payal Shah, Ronak Shah and Aashil Shah. It manufactures agarbattis (incense sticks) and dhoop sticks and sells its products in the domestic and export markets. The products are mainly sold in the Middle East and African Countries as well as South-East Asian Countries. The manufacturing facility is located at Bangalore with an installed capacity of 5 lakh dozens of incense sticks and 3 lakh dozens of dhoop sticks. The firm has its own brand name for incense sticks "Panchavati".

## Analytical Approach

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

## Key Rating Drivers

### Strengths

#### • Experienced management and long track record of operations

The firm was established in 1965 by Late Mr. Premchand Shah, Late Mr. Bharat Shah and Late Mr. Bharat Shah. The partners, Mr. Tejesh B Shah, Mrs. Payal H Shah and Mr. Ronak Shah have more than 8 years of experience in the same line of business. Acuite believes that the extensive experience of the management and long track record of operations has enabled the firm to maintain healthy relationships with their key customers and suppliers.

### Weaknesses

#### • Working capital intensive operations

The operations of the firm have remained working capital intensive marked by high Gross Current Asset (GCA) of 303 days in FY2020 (provisional) as against 318 days in FY2019. The inventory days stood high at 135 days in FY2020 (provisional) against 150 days in FY2019. Further, the debtor days also stood high at 131 days in FY2020 (provisional) compared to 133 days in FY2019 due to delay in realization of receivable, which was through exports. The credit period allowed to their customers is about 90 days. Acuite expects the operations of the firm to remain working capital intensive on account of the high inventory levels maintained by the firm to cater spot orders and the extended credit period is offered to acquire new customers.

#### • Below average financial risk profile

The firm's below-average financial risk profile is marked by low net worth, high gearing and modest debt protection metrics. The net worth of the firm decreased to Rs.3.87 crores as on March 31, 2020(Provisional),

compared to Rs.4.80 crores on March 31, 2019 due to withdrawal of funds. The firm's gearing stood at 4.56 times as on March 31, 2020(Provisional) as against 3.52 times as on March 31, 2019. The debt of Rs.17.65 crores mainly consists of short term debt of Rs.11.91 crores unsecured loans of Rs.4.19, long term debt of Rs.1.45 crores and maturing obligations of Rs.0.10 crores as on March 31, 2020(Provisional). The modest debt protection metrics of the firm is marked by Interest Coverage Ratio which stood at 1.50 times in FY2020 (provisional) as against 1.19 times in FY2019. The NCA/TD (Net Cash accruals to total debt) stood at 0.03 times in FY2020 (provisional) as compared to 0.02 times in FY2019. Acuite believes that the financial risk profile of the firm to remain the same due to moderate accruals in the medium term.

#### Rating Sensitivity

- Improvement in working capital operations
- Improvement of financial risk profile

#### Material Covenants

None

#### Liquidity Profile: Stretched

The firm's liquidity is stretched, marked by high Gross Current Asset (GCA) days of 303 days in FY2020 (provisional) compared to 318 days in FY2019. Even, the bank limits remain utilized at 94 percent over seven months ended on July, 2020. Although, the company has moderate cash accruals of Rs.0.54 crore in FY2020 (provisional) against debt repayments of Rs.0.10 crores during the same financial year. The net cash accruals are expected to be ranging from Rs.0.55 crores to Rs.0.69 crores over the medium term. The current ratio stood at 1.40 times as on March 31, 2020 as compared to 1.45 times as on March 31, 2019. The firm has not availed any loan moratorium but has availed a COVID loan of Rs. 2.5 crores. The unencumbered cash and bank balances stood at Rs.0.04 crores as on March 31, 2020 (Provisional). Acuite believes that the liquidity of the firm will remain at the same level supported by moderate accruals over the medium term.

#### Outlook: Stable

Acuite believes BIC will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers significant improvement in working capital operations and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or higher than expected working capital requirements.

#### About the Rated Entity - Key Financials

	Unit	FY20 (Prov)	FY19 (Actual)
Operating Income	Rs. Cr.	30.77	30.65
PAT	Rs. Cr.	0.30	0.07
PAT Margin	(%)	0.99	0.22
Total Debt/Tangible Net Worth	Times	4.56	3.52
PBDIT/Interest	Times	1.50	1.19

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

Not applicable

#### Any other information

Not Applicable

#### Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-June-2019	Cash credit	Long Term	5.50 (enhanced from Rs. 5.00 crore)	ACUITE B+/Stable (Reaffirmed)
	PC/PCFC	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Post Shipment Credit	Short Term	3.00	ACUITE A4 (Reaffirmed)
	Proposed long term	Long Term	0.50	ACUITE B+/Stable (Assigned)
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	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 (Reaffirmed)

## Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a></p> <p>Shubham Ghosh Analyst - Rating Operations Tel: 033-66201212 <a href="mailto:shubham.ghosh@acuite.in">shubham.ghosh@acuite.in</a></p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

### About Acuité Ratings & Research:

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