

Press Release

April 11, 2017

Bhavik Enterprises Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.19.38 Cr
Short Term Rating	SMERA A3+

Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A3+**' (**read as SMERA A three plus**) on the Rs. 19.38 crore bank facilities of Bhavik Enterprises Limited.

Bhavik Enterprises Limited (BEL), incorporated in 2008 is a Maharashtra-based company promoted by Mr. Mukesh Thakkar and Mr. Bhavik Thakkar, Directors. The company is an authorised agent of LG Polymers (India) Private Limited & Borouge Pte Limited (Singapore) for polymers and plastic granules. BEL trades in Maharashtra, Gujarat, Daman and Silvassa. The Directors have more than two decades of experience in the said line of business.

Key Rating Drivers

Strengths

- **Experienced management**

BEL was incorporated in 2008 by Mr. Mukesh N. Thakkar and Mr. Bhavik M. Thakkar who possess more than two decades of experience in the aforementioned business.

- **Healthy financial risk profile**

BEL has healthy financial risk profile marked by healthy net worth of Rs. 30.64 cr in FY2015-16 as against Rs. 24.40 cr in FY2014-15. The gearing stood at zero times in FY2015-16 due to absence of debt in the business. The net cash accruals have been healthy at Rs. 6.39 cr in FY2015-16 as against Rs. 3.75 cr in the previous year. The TOL/TNW stood at 1.74 times in FY2015-16 as against 1.88 times in FY2014-15. BEL registered healthy ROCE of 35.73 per cent in FY2015-16.

- **Efficient working capital cycle**

BEL registered efficient working capital cycle of 6 days in FY2015-16. While prices of polymers are volatile, the company holds limited inventory which helps keep inventory losses low. The inventory days stood at 10 for FY2015-16.

- **Improvement in margins**

BEL has registered improvement in margins inspite of the trading nature of business and limited value addition. The EBITDA margins improved from 1.26 per cent in FY2013-14 to 2.85 per cent in FY2015-16.

Weaknesses

- **Regulatory risk**

BEL is exposed to risks related to unfavourable government policies. The company is thus susceptible to changing anti-dumping duties levied on import of plastic polymers and granules.

- **Competitive and highly fragmented industry**

BEL operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the organised sector limits the bargaining power with customers.

- **Foreign exchange fluctuation risk**

BEL purchases around 75 per cent of its material from Borouge Pte Ltd, a Singapore based company. Thus, BEL is exposed to foreign exchange fluctuations. The company mitigates this risk by booking forward contracts. Further, it estimates rupee depreciation and factors it in pricing along with profit margin while fixing the price with customers.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Bhavik Enterprises Limited to arrive at the rating.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.(6.25) cr on operating income of Rs292.85 cr, as compared with PAT of Rs.(3.56) cr on operating income of Rs.231.25 cr in FY2014-15.

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>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Letter of credit	Not Applicable	Not Applicable	Not Applicable	19.00	SMERA A3+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.38	SMERA A3+

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