

Press Release

B Ghose & Company Private Limited (BGCPL)

May 19, 2017

Rating Assigned

Total Bank Facility Rated *	Rs.10.00 Crore
Long Term Rating	SMERA BB+/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.10.00 crore bank facilities of B Ghose & Company Private Limited (BGCPL). The outlook is '**Stable**'.

BGCPL was established in 1956 as a proprietorship firm which was later reconstituted as a private limited company in 1970. BGCPL is primarily engaged in stevedoring activities apart from being one of the largest handler of break bulk cargo. The operations are mainly confined to Kolkata port with minor activities in Haldia port. Currently the business is managed by Mr. Sharad Varma and Mrs. Mallika Varma.

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track record of operations- The management comprising of Mr. Sharad and Mrs Mallika Varma has a rich experience of nearly 5 decades in the same line of business.

Established position in Kolkata Port and high entry barrier- The company has an established position and is one of the leading stevedoring agent in the Kolkata port since the past four decades for bulk cargo with approximately 5 to 5.5 lakhs tonnes of cargo handled in a financial year. SMERA believes the established position of the company in Kolkata port along with high entry barrier on account of exclusive license granted by Kolkata Port Trust to this company is likely to support BGCPL's strong business profile.

Healthy order book- BGCPL has a healthy order book position of Rs 570.52 crs for tenure of 13 years to remove the coal overburden for Eastern Coalfields Limited for the New Kenda Colliery in Asansol town of West Bengal. The company has already started the project. This lends comfortable revenue visibility over the medium term apart from the usual stevedoring business.

Healthy financial risk profile - BGCPL's healthy financial risk profile is marked by comfortable net worth base of around Rs.33.91 crore as on March 31, 2016. The gearing and interest coverage ratio stands comfortable at 0.47 times and 1.84 times respectively in FY 2016. DSCR stands low at 0.92 times in FY 2016, though going forward the same is likely to improve on account of accrual from the new project undertaken for coal overburden removal.

Weaknesses:

Stretched receivable days- BGPL has stretched receivable days of 276 days in FY 2016 as against 241 days in FY 2015. Stretched debtors are on account of delay in receipt of payments for services rendered.

Debt funded Capex Plan- In order to implement the coal overburden removal project, the company has incurred a capex of ~ Rs 23 crs in FY 2016-17 with an annual debt obligation of ~Rs 4.25 crs. Any delay in execution of the project or the inability of the company to recover timely receipts of payments may thereby affect the overall credit profile of the company.

Analytical approach- For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of BGCPL.

Applicable Criteria

- Service Entities - <https://www.smera.in/criteria-service.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook - Stable

SMERA believes that BGCPL will maintain a stable outlook and benefit from the experience of its management and established position in the Kolkata port over the medium term. The outlook may be revised to 'Positive' in case the company implements the new project in timely manner thereby scaling up its operations significantly while improving its stretched receivable position. Conversely, the outlook may be revised to 'Negative' if the company reports less than envisaged sales due to delay in execution of the new project or further deterioration in the receivable position leading to weakening of capital structure due to high working capital requirements.

About the Rated Entity

For FY2016, BGCPL reported Profit after Tax (PAT) of Rs.0.38 crore on total operating income of Rs.46.89 crore as compared with PAT of Rs.0.42 crore on total operating income of Rs.48.17 crore in FY2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Facilities	2017				2016		2015		2014	
	Scale	Date	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	28 April 2017	9.50	SMERA BB+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	LT	28 April 2017	0.50	SMERA A4+ (Assigned)	-	-	-	-	-	-

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	NA	NA	NA	9.50	SMERA BB+/Stable (Assigned)
Bank Guarantee	NA	NA	NA	0.50	SMERA A4+ (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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