



Press Release

Bhagwati Fastners Private Limited

11 October, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 22.00 crore bank facilities of Bhagwati Fastners Private Limited (BFPL). The outlook is '**Stable**'.

Incorporated in November 2013, Bhagwati Fastners Private Limited (BFPL) is a Kolkata-based company promoted by Mr. Chetan Prakash Bagaria. The company commenced operations in November 2015 to manufacture and trade in stainless steel fasteners such as bolts, nuts and screws. The manufacturing unit is located at Bankura, West Bengal and has annual installed capacity of 5,000 MTPA.

Key Rating Drivers

Strengths

Experienced management

Incorporated in November 2013, BFPL was promoted by Mr. Chetan Prakash Bagaria who has nearly 13 years of experience in the stainless steel and ferro alloys industry. The company is led by Directors, Mr. Vijay Kanetkar and Mr. Tapesh Kumar Tandan who possess over four decades of experience in the industry.

Improvement in operating income and margins

The operating income improved to Rs 33.11 crore in FY2017 from Rs 20.71 crore in FY2016. During the current year, BFPL booked revenue of Rs 14 crore till August 2017. The company also has export orders in hand of around Rs 6.72 crore from clients in Italy and France. Along with the rise in operating income, the operating margins increased to 6.05 per cent in FY2017 from 1.28 per cent in FY2016 on account of increase in manufacturing activity.

The proportion of manufacturing sales in comparison to total income rose to 14.50 per cent (Rs 4.80 crore) in FY2017 as against 6.82 per cent (Rs 1.42 crore) in FY2016.

Weaknesses

Limited track record of operations

The company has limited track record of operations since operations commenced in November 2015.

Moderate financial risk profile

The moderate financial risk profile is marked by moderate debt protection metrics, net worth and comfortable gearing. The debt protection metrics are moderate with interest coverage ratio of 1.69 times in FY2017 as against 0.98 times in FY2016. The DSCR stood low at 0.95 times in FY2017 as against 0.98 times in FY2016. The promoters infused equity in FY2017 leading to improvement in the net worth level to Rs 10.93 crore in FY2017 as against Rs 4.52 crore in FY2016, thereby improving gearing to 0.87 times in FY2017 compared to 2.94 times in FY2016. The net-worth also includes unsecured loans of Rs. 1crore treated as quasi equity based on the undertaking received from the management that the amount would be maintained in the business in the medium term.

Working capital intensive business

The operations of the company are working capital intensive as reflected in the gross current asset (GCA) days of 134 days in FY2017 as against 398 days in FY2016. In 2016, the high GCA was primarily on account of majority of the sales occurring in the month of February and March 2016 (as operations commenced in November 2015). The debtor days in FY2016 stood high as a result at 278 days. However, with full year of operations in FY2017, the GCA days improved to 134 with inventory days of 55 and debtor days of 62. On an average the company utilises around 95 per cent of its working capital limits.

Going forward, SMERA believes that the operations will remain working capital intensive for the company needs to maintain raw materials and finished goods that vary in range, standard, size.

Susceptibility of profitability margins to volatility in raw material prices

Steel is the key raw material used to make fasteners. Any change in the prices of steel could affect EBITDA margins.

Foreign currency fluctuation risk

The profitability is exposed to fluctuations in forex rates since the company exports its products to Italy and France. Currently, BFPL has orders worth Rs 6.72 crore. Hence adverse changes in currency rates may affect the profitability of the company.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of BFPL.

Outlook: Stable

SMERA believes that BFPL will maintain a stable outlook and continue to benefit over the medium term from its promoters' experience. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17- the company reported Profit after tax (PAT) of Rs 0.10 crore on operating income of Rs 33.11 crore compared to PAT of Rs (0.29) crore on operating income of Rs 20.71 crore in FY2015-16.

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

CRISIL in its press release dated July 26, 2017 inter alia has stated the following - CRISIL has suspended its ratings on the bank facilities of Bhagwati Fastners Private Limited (BFPL). The suspension of ratings is on account of non-cooperation by BFPL with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, BFPL is yet to provide adequate information to enable CRISIL to assess BFPL's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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. Crore)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA BB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BB-/Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.15	SMERA BB-/Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	31-12-2021	6.60	SMERA BB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4+ (Assigned)

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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