

Press Release

Bhagwati Fastners Private Limited

November 15, 2018

Rating Re-affirmed



Total Bank Facilities Rated*	Rs. 27.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Re-affirmed)
Short Term Rating	ACUITE A4+ (Re-affirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs 21.00 crore bank facilities of Bhagwati Fastners Private Limited (BFPL). Acuite has also assigned short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs 6.00 crore proposed 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 is engaged in manufacturing of stainless steel fasteners such as bolts, nuts screws. The company commenced operation on November'2015. The manufacturing unit is located in Bajoria in Bankura District of West Bengal with annual installed capacity of 5,000 MT Per annum.

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of BFPL to arrive at the rating.

Key Rating Drivers:

Experienced management

Incorporated in November'2013- BFPL is promoted by Mr. Chetan Prakash Bagaria who has nearly 13 years of techno commercial experience in the stainless steel and ferro Alloys industry.

Improvement in operating margins

The profitability margins of the company have improved in FY 2018 with EBITDA margins of 7.37 % as against 6.35 % in the previous year. Improvement in margins is mainly on account of higher proportion of manufacturing sales in FY 2017-18. Manufacturing sales as a percentage of total revenue increased to 64.33 % in FY 2018 as compared to 14.50 % in the previous year. Further, during the current year- the company achieved revenue of Rs 21.22 crs till September'18 which mainly consist of manufacturing sales.

Weaknesses

Modest scale of operations

The scale of operations of BFPL is modest with revenue of Rs 40.96 crs in FY 2018 as compare to 33.11 crs in FY 2017. During the current year the company has booked revenue of Rs 21 crs till

September'2018.

Moderate Financial Risk Profile

The moderate financial risk profile of the company is marked by its moderate debt protection metrics, moderate net worth and moderate gearing. The company's debt protection metrics are moderate with interest coverage ratio of 1.90 times in FY2018 as against 1.69 times in FY2017. The net worth stood to Rs 12.09 crs in FY 2018 as against Rs 11.42 crs in FY 2017. The gearing level increased and stood high at 1.74 times in FY 2018 as compare to 0.87 times in FY 2017.

Working Capital Intensive nature of business

The operations of the company are working capital intensive as reflected from the gross current days of 224 31st March'18 as against 135 days in the previous year. The high GCA was due to rise in debtor days and inventory days during the last quarter of FY 2017-18. Debtor days increased to 87 as on 31st March'18 as compared to 62 days in the previous year. The rise in debtor days is primarily on account of majority of the sales occurred in the last four month of FY 2017-18. The inventory days stood at 113 days as on 31st March'18 increased from 55 days in the previous year due to shift of focus from the trading to manufacturing where the company has to maintain significant raw materials of in the form of stainless steel wire rod and ~ 250 types of dyes and tools.

Susceptibility of profitability margins to volatility in raw material prices

Stainless Steel wire rod is the key raw material used to make fastener where any significant upward movement in the prices will effect EBITDA margin.

Outlook: Stable

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

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	40.96	33.11	20.71
EBITDA	Rs. Cr.	3.02	2.00	0.27
PAT	Rs. Cr.	0.67	0.11	(0.29)
EBITDA Margin	(%)	7.37	6.05	1.28
PAT Margin	(%)	1.65	0.30	(1.40)
ROCE	(%)	8.85	6.87	0.96
Total Debt/Tangible Net Worth	Times	1.74	0.87	1.52
PBDIT/Interest	Times	1.90	1.69	0.98
Total Debt/PBDIT	Times	6.63	4.63	29.15
Gross Current Assets (Days)	Days	224	135	398

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

CRISIL has migrated the rating of Bhawati Fastners Private Limited as "Issuer not cooperating" on 25th October'2018.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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
11-October-2017	Proposed Cash Credit	Long Term	12.50	ACUITE BB-/Stable (Assigned)
	Proposed Term Loan	Short Term	0.15	ACUITE BB-/Stable (Assigned)
	Cash Credit	Long Term	2.50	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	6.00	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Assigned)

*Includes sublimit of Letter of Credit cum bank guarantee to the extent of Rs 0.50 cr

*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	2.50	ACUITE BB-/Stable (Re-affirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB-/Stable (Re-affirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.95	ACUITE BB-/Stable (Re-affirmed)

Term Loan	Not Applicable	Not Applicable	Not Applicable	5.30	ACUITE BB-/Stable (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4+ (Re-affirmed)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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