

## Press Release

### Bhati Associates Private Limited

June 01, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 18.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 18.00 crore bank facilities of BHATI ASSOCIATES PRIVATE LIMITED. The outlook is '**Stable**'.

Bhati Associates Private Limited (BAPL) was established in 1996 as a proprietor firm based in Delhi by Mr. Harish Chowdhary. In 2004 the firm was converted to private Limited company and was promoted by Mr. Harish Chowdhary and Mr. Satish Chowdhary. BAPL is a civil contractor for government authorities. BAPL business includes infrastructure construction like Roads, Highways, Building for government authorities on tender basis.

### Key Rating Drivers

#### Strengths

- **Established track record of operations and experience management**

BAPL was incorporated in 2004 by Mr. Harish Chowdhary and Mr. Satish Chowdhary. Hence has its presence in construction business for over two decades. Mr. Harish Chowdhary has 20 years of experience in civil work and Mr. Satish Chowdhary has 22 years of experience in civil work.

- **Moderate financial risk profile**

BAPL has moderate financial risk profile marked by net worth of Rs. 7.11 crores as on 31 March 2017 whereas the net worth stood at Rs. 5.88 crores as on 31 March 2016. Gearing (Debt-Equity) stood at 1.94 times as on 31 March 2017 as compared to 2.05 times as on 31 March 2016. The total debt of Rs. 13.83 crores as on 31 March 2017 comprises of Rs. 3.70 crores as term loan, Rs. 3.49 crores as unsecured loans from the promoters and Rs. 6.64 crores as working capital borrowings from the bank. The interest coverage ratio (ICR) stood at 2.73 times for FY2017 as compared to 2.87 times for FY2016. DSCR stood at 1.84 times in FY2017 as against 1.82 times in FY2016. Acuité believes the financial risk profile of the company will remain moderate on the back of moderate net cash accruals.

- **Moderate working capital operations**

BAPL operates in a moderate working capital nature of operations marked by Gross Current Asset (GCA) days of 159 in FY2017 as against 127 days in FY2016. This is majorly on account of moderate inventory days of 59 days and debtor days of 87 in FY2017. Acuité believes that being engaged in Civil Industry the company's operations will continue to maintain working capital over the medium term. The average bank limit utilization stood at ~90 per cent for the last six months ended February 2018.

#### Weaknesses

- **Moderate scale of operations**

The operations of the BAPL are considered to be at moderate level despite the company being in the construction business from last 21 years. The company has achieved operating income of Rs. 31.27 crore in FY2017 as compared to Rs. 39.02 crore in FY 2016.

- **Tender driven business and competitive and fragmented nature of industry**

The company's performance is susceptible to the tender based nature of activities and intense

competition among other players bidding for government contracts. Being a civil contractor, the revenue of BAPL depends on the number of successful bids and the tenders being released in the financial year.

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of the BAPL to arrive at this rating.

### **Outlook: Stable**

Acuité believes that BAPL will maintain a 'Stable' outlook over the medium term owing to its established presence in the ginning industry and experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while improving its operating profitability and financial risk indicators. Conversely, the outlook may be revised to 'Negative' if BAPL profit margins decline in the medium term owing to fluctuations in raw material prices and deterioration in the financial risk profile.

### **About the Rated Entity - Key Financials**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	31.27	39.02	31.08
EBITDA	Rs. Cr.	4.02	3.94	3.36
PAT	Rs. Cr.	1.14	1.19	0.83
EBITDA Margin	(%)	12.87	10.09	10.80
PAT Margin	(%)	3.64	3.06	2.67
ROCE	(%)	17.14	20.73	34.37
Total Debt/Tangible Net Worth	Times	1.94	2.05	2.41
PBDIT/Interest	Times	2.73	2.87	2.64
Total Debt/PBDIT	Times	3.19	2.86	3.00
Gross Current Assets (Days)	Days	159	127	147

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

None

### **Any other information**

None

### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

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

<https://www.acuite.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+

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### About Acuité Ratings & Research:

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