

Press Release

Bhati Associates Private Limited

June 01, 2018

Rating Assigned



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

* Refer Annexure for details

Rating Rationale

Acuite 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. Acuite 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. Acuite 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

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

Outlook: Stable

Acuite 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+

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Kashish Shah Analyst - Rating Operations Tel: 022-67141152 kashish.shah@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.