

Press Release

Bhansali Trade Impex

June 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 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 double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.10.00 crore bank facilities of Bhansali Trade Impex (BTI). The outlook is '**Stable**'.

Bhansali Trade Impex (BTI), established in 2003, is a partnership firm based at Mumbai. The firm is managed by its Partners, Mr. Suresh Bhansali, Mr. Naresh Bhansali (Brother), and Mr. Chandanmal Bhansali (Cousin). The firm is engaged in trading of ferrous and non-ferrous metals such as steel and nickel scrap, and in stainless steel pipes, tubes, and coils.

Key Rating Drivers

Strengths

- **Experienced Partners**

The partners are associated with the firm since inception and have more than two decades of experience in trading of ferrous and non-ferrous metals through their association with other firms.

- **Improving Margins**

The operating margin of the firm stood at 5.99 percent in FY2017 which have improved from 3.66 percent in FY2016. The PAT margins of the firm also improved from 0.91 percent in FY2016 to 2.11 percent in FY2017.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 230 in FY2017 as against 151 in FY2016. The high GCA days emanate from the collection and inventory holding period of 73 days and 111 days as on 31 March, 2017 as against 100 days and 50 days during the previous year, respectively. Moreover, the working capital facility has been utilised at 75.00 percent as confirmed by the banker.

- **Profitability remains susceptible to fluctuations in raw material prices**

The profit margins are exposed to fluctuations in raw material prices as 60 percent is imported from countries like Saudi Arabia, UAE, Germany, United Kingdom and Italy among others. This also exposes the firm to foreign currency fluctuation risk. Further, pricing flexibility is also minimal considering the large number of players in the industry.

- **Intense competition**

The firm faces intense competition from various established players in the industry which is likely to impact its operating performance and profitability.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of BTI.

Outlook: Stable

Acuite believes that BTI will maintain a 'Stable' outlook over the medium term on the back of its experienced partners. The outlook may be revised to 'Positive' in case the firm registers significant and sustainable improvement in operating income while improving its financial risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the working capital cycle or if it takes on any debt funded capital expansion.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	18.10	28.07	24.37
EBITDA	Rs. Cr.	1.08	1.03	1.13
PAT	Rs. Cr.	0.38	0.26	0.19
EBITDA Margin	(%)	5.99	3.66	4.64
PAT Margin	(%)	2.11	0.91	0.79
ROCE	(%)	11.71	11.69	27.87
Total Debt/Tangible Net Worth	Times	0.31	0.35	0.41
PBDIT/Interest	Times	1.55	1.33	1.21
Total Debt/PBDIT	Times	1.93	2.32	2.06
Gross Current Assets (Days)	Days	230	151	167

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

CRISIL vide its press release dated May 23, 2018 had denoted the rating of Bhansali Trade Impex as 'CRISIL B+/Stable/CRISIL A4 Issuer Not Cooperating' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/criteria-trading.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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4

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About Acuité Ratings & Research:

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