

Press Release

Bhatia Agency

July 24, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.6.50 crore bank facilities of Bhatia Agency (BA). The outlook is '**Stable**'.

The Rajasthan based, Bhatia Agency is a proprietorship concern established in 1988 at Kota (Rajasthan). It is engaged in trading of electronic items and home appliances like air conditioner, refrigerator, Kent R.O, water cooler to name a few. It has one showroom with 3 floors and 2 godowns with built up area of 9000 sq. feet located in Kota.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The firm is in operations since 1988. The Proprietor, Mr. Rajkumar Bhatia has three decades of experience in the industry and his sons, Mr. Sunil Bhatia and Mr. Girish Bhatia also have a decade of experience.

- **Moderate scale of operations**

The revenue of the firm stood moderate at Rs.29.70 crore in FY2018 (Provisional), an increase from Rs.28.59 crore in FY2017.

Weaknesses

- **Below-average financial risk profile**

The financial risk profile is below-average marked by net worth of Rs.2.02 crore as on 31 March, 2018 (Provisional) as compared to Rs.1.59 crore as on 31 March, 2017. The gearing (debt-equity) is 4.51 times as on 31 March, 2018 (Provisional) as against 5.34 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.54 times in FY2018 (Provisional) compared to 1.61 times in FY2017. Total Outstanding Liabilities to Total Net Worth (TOL/TNW) increased to 6.80 times as on 31 March, 2018 (Provisional) from 9.74 times as on 31 March, 2017.

- **Competitive and fragmented industry**

BA is exposed to competition from several organised as well as non-organised players in the industry affecting its margins.

Analytical Approach

Acuité has considered the financial and business risk profile of Bhatia Agency to arrive at the rating.

Outlook: Stable

Acuité believes that BA will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers higher than expected revenue and liquidity position while maintaining profitability margins. Conversely the outlook will be revised to 'Negative' in case of significant decline in revenue and profitability or higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	29.70	28.59	29.01
EBITDA	Rs. Cr.	1.85	1.34	1.11
PAT	Rs. Cr.	0.50	0.43	0.46
EBITDA Margin	(%)	6.23	4.67	3.82
PAT Margin	(%)	1.70	1.51	1.58
ROCE	(%)	16.11	13.07	12.05
Total Debt/Tangible Net Worth	Times	4.51	5.34	5.91
PBDIT/Interest	Times	1.54	1.61	1.93
Total Debt/PBDIT	Times	4.93	6.35	7.15
Gross Current Assets (Days)	Days	177	203	212

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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	6.50	ACUITE B+ / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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