

Press Release

Bharat Chemical

July 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.20 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of **ACUITE A4+ (read as ACUITE A four plus)** on the Rs.18.20 crore bank facilities of Bharat Chemical (BC). The outlook is '**Stable**'.

Bharat Chemicals (BC), established in 2002, a proprietorship firm located at Gandhidham (Gujarat) is promoted by Mr. Dilip Bhanushali. It is engaged in supplying of bunker fuel and marine gas oil and also trading of chemicals. It operates barge with capacities ranging from 300MT 2000 MT carrying capacity and can handle Fuel Oil as well as Marine Gas Oil (High Flash High Speed Diesel). The firm offers products at all major ports in India with the support from oil majors like Indian Oil Corporation, Bharat Petroleum Corporation and Hindustan Petroleum Corporation. The firm also has its own storage facility in Kandla Special Economic Zone (Gujarat) to handle bulk liquids, especially, Marine Gas Oil (HFHSD), Base Oils and Marine Lubricants.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced promoter**

Bharat Chemical has established operational track record of more than a decade which has helped maintain long standing relations with customers and suppliers. The firm also benefits from its experienced promoter as Mr. Dilip Bhanushali possesses more than a decade of experience in trading of energy products and industrial distribution of steam coal.

- **Diverse earning streams**

Bharat Chemical has diverse earning streams ranging from trading of coal, power, and high speed Diesel, Base oils, metals and bitumen, bunkering among others.

- **Efficient working capital management and adequate liquidity**

The Firm continues to efficiently manage its working capital requirement with working capital cycle days of 28 in FY2018 (Provisional) compared to 24 days in the previous year. Further, the liquidity remains adequate because of comfortable cash accruals against debt repayment obligation and absence of any debt funded capex over the medium term. The average cash credit utilisation for the last six months stood at around ~60 percent ended 30 April, 2018.

Weaknesses

- **Average financial risk profile**

Bharat Chemical has average financial risk profile marked by net worth of Rs.6.87 crore as on 31 March, 2018 (Provisional) compared to Rs.5.37 crore as on 31 March, 2017. Gearing (debt-equity) stood at 2.68 times as on 31 March, 2018 (Provisional) from 1.41 times as on 31 March, 2017. The total debt of Rs.18.39 crore comprises of term loan of Rs.5.46 crore, unsecured loans from

directors/relatives of Rs.5.18 and working capital funds of Rs. 7.76 crore as on 31 March, 2018 (Provisional). The interest coverage ratio stood at 3.07 times in FY2018 (Provisional) as against 2.92 times in FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood at 3.11 times as on 31 March, 2018 (Provisional). Going forward, Acuité believes that the firm will maintain its financial risk profile and improve its net worth in the absence of major debt funded capex plan.

• Low profitability margins

Bharat Chemical has reported operating margin of 2.36 percent for FY2018 (Provisional) as against 2.54 percent in the previous year. Further, the net profit margins are thin at 1.06 percent for FY2018 (Provisional) as against 1.69 percent in the previous year mainly on account of trading nature of operations.

• Proprietorship constitution

The proprietorship constitution of the firm makes it vulnerable to the risk of capital withdrawal.

Analytical Approach

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

Outlook: Stable

Acuité believes that Bharat Chemicals will maintain a 'Stable' outlook over the medium term owing to its established presence in the said 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 the 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	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	178.62	167.40	74.18
EBITDA	Rs. Cr.	4.22	4.25	1.30
PAT	Rs. Cr.	1.90	2.82	0.95
EBITDA Margin	(%)	2.36	2.54	1.76
PAT Margin	(%)	1.06	1.69	1.28
ROCE	(%)	17.27	43.90	36.31
Total Debt/Tangible Net Worth	Times	2.68	1.41	0.86
PBDIT/Interest	Times	3.07	2.92	4.52
Total Debt/PBDIT	Times	4.28	1.71	2.42
Gross Current Assets (Days)	Days	39	36	35

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>
- Trading 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)

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
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.70	ACUITE BB+ / Stable
ILC/BG/FLC/Buyers Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+

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About Acuité Ratings & Research:

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