

## Press Release

**Bharat Chemical**

October 06, 2020

**Rating Withdrawn**



<b>Total Bank Facilities Rated*</b>	Rs. 18.20 crore
<b>Long Term Rating</b>	ACUITE BBB- (Withdrawn)
<b>Short Term Rating</b>	ACUITE A3+ (Withdrawn)

\* Refer Annexure for details

### Rating Rationale

Acuite has withdrawn the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 18.20 crores bank facilities of Bharat Chemical (BC). The rating withdrawal is in accordance with the Acuite's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

BC was established in 2002 as a proprietorship firm located at Gandhidham (Gujarat). The firm 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 Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of BC to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### • Experienced management

BC was established in 2002 and is headed by Mr. Dilip Bhanushali. The firm has established track record of nearly two decades in the same line of business. 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.

Acuite believes that the long track record of operations and extensive experience of the management have helped the company maintain long term relations with customers and suppliers.

##### • Efficient working capital operations

BC has efficiently managed its working capital as reflected in Gross Current Assets (GCA) of 44 days Prov in FY2020 as against 23 days in FY2019. The firm does not maintain inventory as it is order backed. Collection period stood moderate at 41 days Prov in FY2020 as against 22 days in FY2019. The firm's debtor realization from customers are healthy as the receivables cycle is 20-30 days.

Acuite expects the working capital management to remain efficient over the medium term.

##### • Moderate financial risk profile

The financial risk profile is moderate marked by tangible net worth of Rs.15.38 crore Prov as on 31 March, 2020 as against Rs. 10.27 crore as on 31 March, 2019. The gearing (debt-to-equity) stood at moderate 1.24 times Prov as on 31 March, 2020 as against 1.36 times as on 31 March, 2019. The total debt outstanding of Rs. 19.06 crore Prov as on 31 March, 2020 consist of long term borrowing of Rs.2.47

crore, unsecured loans of Rs.6.28 crore and working capital borrowing of Rs.10.31 crore. The interest coverage ratio stood healthy at 7.68 times Prov for FY2020 as against 5.38 times in FY2019. DSCR stood healthy at 3.11 times Prov for FY2020 as against 2.74 times in FY2019. Total outside liabilities to tangible net worth (TOL/TNW) improved to 1.44 times Prov as on 31 March, 2020 as against 1.59 times as on 31 March, 2019. The NCA/TD stood at 0.36 times Prov as on FY2020.

Acuite expects the firm's financial risk profile to remain moderate in the absence of major debt-funded capex plan.

## Weakness

### • Trading nature of business

The firm operated on low margins on account of trading nature of operations. Challenges faced by BC are that the company always have to settle on a fixed percentage of margin and further, which leads to limited profit. Further, intense competition puts pressure on the pricing power of BC.

## Rating Sensitivities

Not Applicable

## Material Covenants

None

## Liquidity Position: Adequate

The firm has adequate liquidity marked by net cash accruals of Rs.6.92 crore against the debt repayment of Rs.1.55 for FY2019. The cash accruals of the firm are estimated to remain in the range of Rs.5.90 to Rs.7.84 crore during 2021-23 against Rs.1.03-1.55 crore repayment obligation for the same period. The firm maintains cash and bank balances of Rs. 0.04 crore Prov as on March 31, 2020. The current ratio stood healthy at 2.06 times Prov as on March 31, 2020. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of no capex.

## Outlook

Not Applicable

## About the Rated Entity - Key Financials

	Unit	FY20 (Provl)	FY19 (Actual)
Operating Income	Rs. Cr.	240.23	278.93
PAT	Rs. Cr.	5.50	4.95
PAT Margin	(%)	2.29	1.77
Total Debt/Tangible Net Worth	Times	1.24	1.36
PBDIT/Interest	Times	7.68	5.38

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Application of Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Feb-2020	Term Loan	Long Term	3.03	ACUITE BBB-/Stable (Upgraded from ACUITE BB+)
	Letter of Credit	Short Term	12.00	ACUITE A3+ (Upgraded from ACUITE A4+)
	Proposed Bank Facility	Short Term	3.17	ACUITE A3+ (Upgraded from ACUITE A4+)
21-Aug-2019	Term Loan	Long Term	5.70	ACUITE BB+ (Indicative)
	Letter of Credit	Short Term	12.00	ACUITE A4+ (Indicative)
	Proposed Bank Facility	Short Term	0.50	ACUITE A4+ (Indicative)
26-Jul-2018	Term Loan	Long Term	5.70	ACUITE BB+ /Stable (Assigned)
	Buyers Credit	Short Term	12.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Short Term	0.50	ACUITE A4+ (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Oct,2017	Not Applicable	Sept,2020	3.03	ACUITE BBB- (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.17	ACUITE A3+ (Withdrawn)

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**About Acuité Ratings & Research:**

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