

Press Release

Bharat Chemical

October 06, 2020



Rating Withdrawn

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| Long Term Rating | ACUITE BBB- (Withdrawn) |
| Short Term Rating | ACUITE A3+ (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**)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 Acuité'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The rating is being withdrawn on account of request received from the company and NOC received from the banker.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

Acuité 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.

Acuité 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.

Acuité 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. Acuité 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 (ProvI) | 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) |

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research 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.

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