

Press Release

Balkrishna Sales Corporation (BSC)

August 09, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.88 Cr.
Long Term Rating	ACUITE BB-/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 plus**) on the Rs. 13.88 crore bank facilities of Balkrishna Sales Corporation. The outlook is '**Stable**'.

Balkrishna Sales Corporation (BSC) was formed in 1984 as a partnership firm and currently managed by Mrs. Indumati H. Mehta and Mr. Sanjay N. Mehta. The firm is engaged in trading of FMCG products such as TATA Salt, TATA Tea, milk powder (Madhusudan Milk) and corn flakes (Real Crunch Corn Flakes). The firm sells in the domestic market mainly in West Bengal.

Key Rating Drivers

Strengths

Experienced management:

The partners of the firm, Mrs. Indumati H. Mehta and Mr. Sanjay N. Mehta have more than two decades experience in trading of FMCG. Both the partners are associated with the day to day operation of the firm along with Mr. Diiviyish Mehta, CEO of the firm.

Long lasting association with the suppliers and customers:

The firm has established relation with TATA Chemicals Limited, TATA Tea Limited for more than three decades apart from relation with Real Crunch Corn Flakes since 2002 and with Madhusudan Milk since 2008. The firm has also healthy relation with its 245 stockists spread around West Bengal.

Weaknesses

Average financial risk profile:

The average financial risk profile of the firm is marked by low worth, high gearing and modest debt protection measures. BSC has a low net worth of Rs 4.90 crs as on 31st March'2017 as compared to Rs.4.03 crore in FY2016. The total outside liability against the total debt (TOL/TNW) stands high at 5.26 in FY2017 as compared to 6.53 times in FY2016. The gearing of the stood high at 2.84 times in FY2017 as compared to 3.03 times in the previous year. The total debt of Rs 13.94 crs consists mainly of short term debt of Rs. 9.80 crs, long term debt of Rs.1.50 crore and unsecured loan from promoters of Rs.2.64 crore. The debt protection measures of the firm stood modest with interest coverage of 1.29 times in FY'17 as compared to 1.28 times in FY'16. The NCA/TD levels of the firm stood at 0.04 times in FY'17 as against 0.04 times in the previous year.

Low profitability margin:

The operating margin of the firm stood low at 2.63 per cent in FY2017 as compare to 1.90 per cent in previous year, this is mainly on account of trading nature of operation. The net profit margin of the firm also stands low at 0.93 per cent in FY2017 as compared to 0.82 per cent in the previous year.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes the outlook on BSC rated facilities will remain stable over the medium term backed by its experienced management and establish relation with its customers and suppliers. The outlook may be revised to 'Positive' in case the improvement in financial risk profile while efficiently managing its profitability margin. The outlook may be revised to 'Negative' in case of the firm its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	53.73	51.35	48.89
EBITDA	Rs. Cr.	1.41	0.98	1.28
PAT	Rs. Cr.	0.50	0.42	0.40
EBITDA Margin	(%)	2.63	1.90	2.63
PAT Margin	(%)	0.93	0.82	0.81
ROCE	(%)	13.40	13.74	27.59
Total Debt/Tangible Net Worth	Times	2.84	3.03	2.95
PBDIT/Interest	Times	1.29	1.28	1.30
Total Debt/PBDIT	Times	5.86	5.94	5.34
Gross Current Assets (Days)	Days	184	193	170

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Trading Entities – <https://www.acuite.in/criteria-trading.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	10.35	ACUITE BB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.53	ACUITE A4+ (Assigned)

Contacts

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