

Press Release

Bellstone Hi-Tech International

D-U-N-S® Number: 91-853-2631



May 20, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 12.00 crore bank facilities of Bellstone Hi-Tech International (BHI). The outlook is '**Stable**'.

Delhi based, BHI was established as a partnership firm in 1973 by Mr. Madanlal Sethi and his son, Mr. Ashish Sethi (Managing partner). BHI is engaged in assembly and trading of Industrial Equipment and Construction Machinery.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of BHI to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and wide reach**

BHI was established in 1973 by Mr. Madanlal Sethi and his son, Mr. Ashish Sethi who joined the business in 1999. The extensive experience of both the partners has helped the firm in establishing healthy relationships with customers in India and outside India such as WHO, World Bank, UN and UNICEF to name a few. Further, BHI has around 12 offices and showrooms across India.

Weaknesses

- **Below average financial risk profile**

The financial risk profile of BHI is average marked by low net worth, weak debt protection measures and high gearing. The net worth of BHI is low at Rs.5.05 crore as on 31 March, 2018 as against Rs.4.22 crore as on 31 March, 2017. The gearing stood high at 5.40 times as on March 31, 2018 as compared to 5.69 times as on 31 March 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 5.88 times as on 31 March, 2018 as against 6.10 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.41 times in FY2018 as compared to 1.46 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood stagnant at 0.05 times as on 31 March, 2018 as well as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood low at 0.82 times in FY2018 as against 0.79 times in FY2017. Acuité believes that the ability of BHI to improve its financial risk profile in the medium term will be a factor of key rating sensitivity.

- **Working capital intensive operations**

The operations of BHI are working capital intensive marked by Gross Current Assets (GCA) of 239 days in FY2018 as against 237 days in FY2017. This is majorly on account of higher inventory holding period of 140 days in FY2018, although slightly lower from 150 days in FY2017. The inventory holding is high as BHI needs to keep inventory of finished goods for a variety of products ready at multiple showrooms for display. The receivables period stood at 41 days in FY2018 as compared to 63 days in FY2017. The payables period stood at 24 days in FY2018 as compared to 18 days in FY2017. The average bank limit utilisation stood at ~95 percent for the last three months ended December 2018. Acuité believes that the ability of BHI to improve its working capital cycle will be a factor of key rating sensitivity.

Liquidity Position:

BHI has stressed liquidity marked by low net cash accruals to its maturing debt obligations. BHI generated cash accruals of Rs. 0.98-1.27 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.2.22 crore over the same period. The cash accruals of BHI are estimated to remain around Rs.1.33-2.12 crore during 2019-21, while its repayment obligations are estimated to be around Rs.2.22 crore per annum till 2021. BHI maintained unencumbered cash and bank balances of Rs.0.50 crore as on March 31, 2018. The current ratio of BHI stands moderate at 1.69 times as on March 31, 2018. Acuité believes that the liquidity of BHI is likely to remain stressed over the medium term on account of low growth in cash accruals and stable repayment obligations over the medium term.

Outlook: Stable

Acuité believes that the rated facilities of BHI will maintain a 'Stable' outlook over the medium term on account of its experienced management and established relationships in the industry. The outlook may be revised to 'Positive' in case of growth in operating income, while sustaining the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in working capital management or financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	38.72	36.34	25.82
EBITDA	Rs. Cr.	4.20	3.91	3.53
PAT	Rs. Cr.	1.00	0.87	0.70
EBITDA Margin	(%)	10.85	10.74	13.68
PAT Margin	(%)	2.57	2.39	2.73
ROCE	(%)	13.49	13.74	26.92
Total Debt/Tangible Net Worth	Times	5.40	5.69	5.82
PBDIT/Interest	Times	1.41	1.46	1.41
Total Debt/PBDIT	Times	6.25	6.12	5.85
Gross Current Assets (Days)	Days	239	237	238

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	9.43	ACUITE B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.10	ACUITE B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.47	ACUITE A4

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About Acuité Ratings & Research:

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