

Press Release

Borkar Trading Company Private Limited

November 24, 2021



Rating Assigned

Product	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings	10.00		ACUITE A3 Assigned
Bank Ratings	38.04	ACUITE BBB- Stable Assigned	
Total	48.04	-	-

* Refer Annexure for details

Rating Rationale

Acuité has assigned 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**) to the Rs.48.04 Cr. bank facilities of Borkar Trading Company Private Limited (BTCPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into consideration the established market position of the company in the retail trading industry especially across the state of Goa. The ratings also draws comfort from long extensive experience of the promoters in the aforementioned industry and augmentation in business risk profile of the company along with sustained growth in scale of operations over the years despite the onset of covid-19 pandemic. The rating also factors the moderate financial risk profile and adequate liquidity position of the company. However, these strengths of the company are partially offset by working capital intensive nature of operations and presence in highly fragmented and competitive industry.

About the Company

Goa based Borkar Trading Company Private Limited (BTCPL) incorporated in 1990 is the flagship company of the Borkar Group and manufacturers printed cartons for FMCG, Food & Beverage, Pharmaceuticals and Liquor industries. Borkar Group was established in the year 1910 with retail stores and over decades has evolved as a business conglomerate with business interest in various sectors such as Packaging, Retail, Real Estate and Financial Consultancy. The company is currently has 14 self-service shops located across Goa in the name of "Borkar Super Stores" and also runs two individual pantaloons stores.

Analytical Approach

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

Key Rating Drivers

Strengths

Acuité Ratings & Research Limited

www.acuite.in

Experienced Management with established track record of operations

The Borkar Group was established in the year 1910 by late Mr. Shripad Borkar, thus having an established brand position for over a century. Later in 1990, the third generation of the Borkar family established BTCPL which is currently operating in the retail trading industry with a track record of operations of more than three decades. The operations of the company are currently managed by Mr. Nihaal Borkar and Mr. Nikhil Borkar with the guidance of Mr. Vinay

P. Borkar. The promoters of the company have an experience of over three decades in the aforementioned line of business. The promoters are supported by experienced and qualified second line of management. The long track record of operations of over 100 years coupled with experience of management have helped the company to forge healthy relationships with reputed clients and local customers for their retail trading business.

Acuité believes that the company will sustain its existing business profile on the back of established track record of operations and experienced management.

Augmentation in business risk profile

The revenue of the company improved around 10 percent CAGR over FY18-21 (Provisional) period from Rs.99.29 Cr. in FY18 to Rs.130.69 Cr. in FY21 (Provisional). The increase in revenues over the years is mainly on account of increase in self-service stores by the company which eventually led to high customer base across Goa. The company deals in both retail and trading business which generates almost equal amount of revenues for the company. The revenues were slightly impacted due to the ongoing covid-19 pandemic which restricted movement of goods and people for some time. However, the company witnessed gradual recovery in the business and was able to generate revenues of around Rs.45.00 Cr. in 4MFY22.

The profitability of the company also improved in FY21 (Provisional) as marked by increased in operating profit margin and net profit margin. The operating profit margin of the company improved to 6.80 percent in FY21 (Provisional) as against 6.01 percent in FY20 majorly on decline in raw material costs. Further, the company generated net profit of Rs.1.74 Cr. in FY21 (Provisional) against Rs.1.25 crore in FY20 maintaining a net profit margin of 1.33 percent in FY21 (Provisional). Further, the company derives benefits from strategically located shops across the state of Goa to ensure maximum footfall and quick movement of inventory.

Acuité believes that the growth in revenue and sustenance of its profitability margins are expected to support the overall growth of the company over the medium term.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate tangible net worth, gearing and debt protection metrics. The tangible net worth of the company increased and stood at Rs.42.71 Cr. as on 31 March, 2021 (Provisional) as against Rs.36.12 Cr. which also includes quasi-equity of Rs.31.68 Cr. as on 31 March, 2021 as against Rs.26.83 Cr. in the previous year. The gearing level of the company improved to 0.98 times as on 31 March, 2021 (Provisional) compared to 1.09 times same period last year owing to increase in tangible net worth of the company. The total borrowings of the company includes long term borrowings of Rs.11.98 Cr. and working capital borrowings of Rs.29.73 Cr. The moderate debt protection matrices is marked by interest coverage ratio of 1.86 times in FY21 (Provisional) as against 1.63 times in the previous year. The debt service coverage ratio stood at 1.28 times for FY21 (Provisional) as against 1.14 times in the previous year. The total liabilities to tangible net worth (TOL/TNW) improved marginally to 1.35 times as on 31 March, 2021 (Provisional) as against 1.51 times in the previous year.

Acuité believes that the financial risk profile of the company is expected to remain moderate over the near to medium term on account of moderate cash accruals and absence of any significant debt-funded capex.

Weaknesses

Working capital intensive operations

The operations of the company are working capital intensive in nature marked by high Gross Current Assets (GCA) days of 186 days for FY21 (Provisional) as against 167 days for FY20. The high GCA is majorly on account of high inventory levels which stood at 117 days for FY21 (Provisional) as against 119 days for FY20. Further, the debtor days of the company increased and stood at 67 days for FY21 (Provisional) as against 45 days for FY20. Subsequently, the creditor days stood at 44 days for FY21 (Provisional) as against 40 days for FY20. The working capital intensive nature of operations has led to higher reliance over external borrowings marked by average bank limit utilization of ~95 percent for the last six months ended Sep, 2021.

Acuité believes that the company's ability to maintain its working capital efficiently will remain a key rating sensitivity.

Highly fragmented and competitive industry

The Indian retail industry is fragmented with presence of large number of unorganized players, e-retailers and funding from foreign players has boosted entry of new players. BTCPL would face high competition from the existing retailers and new entrants, both organized and unorganized, thereby impacting pricing power. Further, slowdown in footfall amid competitive factors will hurt the overall financial risk profile and liquidity of the company.

Liquidity position: Adequate

The liquidity position of the company is adequate reflected by adequate net cash accruals against matured debt obligations. The net cash accruals of the company stood at Rs.3.75 Cr. in FY21 (Provisional) against debt obligations of Rs.3.36 Cr. for the same period. The cash accruals of the company is expected to remain in the range of Rs.4.60 – 7.49 Cr. during FY22 - 24 period against debt obligations of Rs.3.36 – 1.90 Cr. during the same period. However, the company has working capital intensive operations as marked by high GCA days of 186 days as on 31 March, FY2021 (Provisional) which has led to high bank limit utilization ~95 percent for last six months ended September, 2021. The group maintains unencumbered cash and bank balances of Rs.0.47 Cr. and the current ratio stood at 1.40 times as on 31, March, 2021 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Rating Sensitivities

- Improvement in scale of operations and profitability
- Any further deterioration in the working capital cycle leading to deterioration in financial risk profile and liquidity position

Material covenants

None

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration in the company's financial risk profile or significant elongation in working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	130.69	130.41
PAT	Rs. Cr.	1.74	1.25
PAT Margin (%)	(%)	1.33	0.96
Total Debt/Tangible Net Worth	Times	0.98	1.09
PBDIT/Interest	Times	1.86	1.63

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

CRISIL ratings via its press release on 29 Jan 2021 had denoted the rating of Borkar Trading Company Private Limited as 'CRISIL BB/Stable/CRISIL A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Annexure - Details of instruments rated

Lender's Name	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Size Of Issue	Rating
The Saraswat Cooperative Bank Ltd	Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BBB- Stable Assigned
The Saraswat Cooperative Bank Ltd	Term Loan	01-06-2017	Not available	01-09-2028	16.04	ACUITE BBB- Stable Assigned
Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Nitul Dutta Senior Analyst-Rating Operations Tel: 022-49294065 nitul.dutta@acuite.in	

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 8,850 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 Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité