



**Press Release**  
**Borkar Trading Company Private Limited**  
**May 22, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	37.04	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	11.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	48.04	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and its short-term rating of '**ACUITE A4+**' (read as **Acuite A four plus**) on the Rs.48.04 Cr. bank facilities of Borkar Trading Company Private Limited (BTCPL). The outlook is '**Stable**'

**Rationale for Rating Reaffirmation**

The rating reaffirmation considers stable operating performance of the company, marked by stable revenue and profitability. The company's operating income grew marginally to Rs. 132.32 Cr. in FY2023 as against Rs. 123.23 Cr. in FY2022. It is estimated to generate ~Rs. 130-135 Cr. in FY2024. The operating margins stood at 6.45 percent in FY2023 as against 6.43 percent in FY2022 and is estimated to remain at similar levels in FY2024. The rating is constrained by below average financial risk profile and stretched liquidity position. The Debt to EBITDA stood at 6.81 times for FY2023 as against 8.19 times for FY2022. The operations continue to remain working capital intensive with gross current asset days of 218 as on March 31, 2023 as against 258 days as on March 31, 2022. Going ahead, the company's ability to improve its liquidity position and financial risk profile while maintaining its scale of operations and profitability will remain a key rating sensitivity factor.

**About the Company**

Borkar Trading Company Private Limited was incorporated in 1990 and is promoted by Borkar family. The present directors of the company are Mr. Rohit Prakash Borkar, Mr. Nihaal Deepak Borkar and Mr. Nikhil Anil Borkar. The company is a part of 'Borkar Group'. The company has 10 departmental stores located across Goa in the name of Borkar super stores. Out of the 10 shops, the company owns 6 shops, and the remaining 4 shops are on lease. The company also has 3 pantaloon stores on franchisee basis. Along with this the company also does trading of papers.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**



### **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. Rahul Borkar, Mr. Nihal Borkar and Mr. Nikhil 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 the Group 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 is likely to sustain its existing business profile on the back of established track record of operations and experienced management.

### **Stable operating performance**

The company deals in both retail and trading business of which the trading business generates around 70 percent of the revenues of the company. The revenue of the company improved and stood at Rs.132.32 crore in FY23 compared to revenue of Rs.123.23 crore in FY22. In FY2024, the company is estimated to generate revenue in the range of ~Rs.130-135 Cr. The operating profit margin of the company stood at 6.45 percent in FY23 compared against 6.43 percent in FY22. The PAT margin of the firm stood at 0.10 percent in FY23 compared to 0.66 percent in FY22. In FY2024, the company's operating margin is estimated to range around ~6-6.8% and PAT around 0.20-0.50%.

### **Weaknesses**

#### **Below average financial risk profile**

The financial risk profile of the company is below average marked by modest tangible net worth, high gearing and below average debt protection metrics. BTCPL's net worth stood at Rs. 36.43 crore as on March 31, 2023 against Rs. 35.99 crore as on 31st March 2022. The company's gearing stood at 1.64 times as on March 31, 2023 as against 1.83 times as on March 31, 2022. The company's total debt as on March 31, 2023 stood at Rs. 59.69 crore comprising of long-term debt of Rs.20.42 crore, short-term debt of Rs. 33.36 crore, unsecured loans from directors of Rs. 2.58 crore, and maturing debt obligation of Rs. 3.33 crore. TOL/TNW stood at 2.01 times as on March 31, 2023 as against 2.33 times as on March 31, 2022. The interest coverage ratio of the company stood at 1.40 times in FY23 against 1.66 times in FY22. DSCR stood at 0.91 times in FY2023 against 0.95 times in FY2022. Acuité believes that going forward the company's ability to further improve its financial risk profile backed by steady accruals will remain a key rating monitorable.

#### **Working capital intensive operations**

The company's operations are working capital intensive as evident from Gross Current Asset (GCA) of 218 days as on March 31, 2023 as against 258 days as on March 31, 2022. The high GCA days are majorly on account of high inventory levels as well as high debtor levels. The inventory levels stood at 126 days for FY2023 as against 135 days for FY2022. Average inventory holding period is around 120 days. The debtor days stood at 90 days for FY2023 as against 105 days for FY2022. The average credit period allowed to the customers is around 90-120 days. The creditor days of the company stood at 35 days for FY2023 as against 53 days for FY2022. The working capital intensive nature of operations has led to higher reliance over external borrowings marked by average bank limit utilization of ~98 percent for the last six months ended April, 2024. 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.

## Rating Sensitivities

- Improvement in scale of operations and profitability.
- Deterioration in the liquidity position of the company marked by increased reliance on working capital bank limits or deterioration in debt service coverage ratios.

## Liquidity Position Stretched

The company has a stretched liquidity position marked by modest net cash accruals against its maturing debt obligations. The company generated net cash accruals of Rs. 2.36 Cr. in FY2023 against maturing debt repayment obligation of Rs. 3.18 Cr. for the period. The gap was funded through realisation of loans and advances given to associate entities. The cash accruals of the company are estimated to remain in the range of Rs.2.5 - 4 crore during 2024-26 period while its maturing debt obligations is estimated to be in the range of Rs.3-4.8 crore during the same period. The company maintains unencumbered cash and bank balances of Rs.0.16 crore as on March 31, 2023. The current ratio stood at 1.66 times as on March 31, 2023. The working capital operations of the company are intensive marked by its gross current asset (GCA) days of 218 days for FY2023. The average bank limit utilization stood at ~98 percent for the last six months ended April 2024. Acuite believes that the liquidity position of the Company would remain stretched on account of modest net cash accruals against its maturing debt obligations and elongated working capital cycle.

## Outlook: Stable

Acuite 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 improving its liquidity position and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration in the company's financial risk profile or liquidity position.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	132.32	123.23
PAT	Rs. Cr.	0.13	0.81
PAT Margin	(%)	0.10	0.66
Total Debt/Tangible Net Worth	Times	1.64	1.83
PBDIT/Interest	Times	1.40	1.66

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

Not Applicable

### Any other information

None

### Applicable Criteria

- 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>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Feb 2023	Cash Credit	Long Term	22.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Letter of Credit	Short Term	11.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Term Loan	Long Term	12.50	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	2.54	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
24 Nov 2021	Cash Credit	Long Term	12.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Assigned)
	Proposed Short Term Bank Facility	Short Term	10.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	16.04	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
The Saraswat Cooperative Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE BB+   Stable   Reaffirmed
The Saraswat Cooperative Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE A4+   Reaffirmed
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	Simple	2.54	ACUITE BB+   Stable   Reaffirmed
The Saraswat Cooperative Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	Simple	12.50	ACUITE BB+   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.

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