

### Bhatia Photo Industries Private Limited: Assigned

Name of the Instruments	Amount (Rs Crore)	Ratings/Outlook
Cash Credit*	6.50	SMERA B+/Stable (Assigned)
Letter of Credit	3.70	SMERA A4 (Assigned)
Bank Guarantee	0.30	SMERA A4 (Assigned)

*\*Interchangeability proposed between Cash credit and Letter of Credit limits subject to ceiling of Rs. 1.00 crore under each limit i.e. party can avail up to Rs. 7.50 crore in cash credit limit and up to Rs.4.70 crore in Letter of Credit at any point of time during the year.*

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA B plus**) and '**SMERA A4**' (read as **SMERA A four**) on the above mentioned bank facilities of Bhatia Photo Industries Private Limited (BPIPL). The outlook is '**Stable**'. The ratings are constrained by the small scale of operations and stretched liquidity profile (bank limit utilisation of over 100 per cent from November 2015 to May 2016). The ratings are also constrained by the working capital intensive business and exposure to intense competition in the IT industry. However, the ratings draw support from the long track record of operations and experienced management.

BPIPL is engaged in the manufacturing and trading of computer accessories. The moderate financial risk profile is marked by small scale of operations and revenue of Rs.37.10 crore in FY2015-16 in (provisional) against revenue of Rs.23.97 crore in FY2014-15. The profit after tax stood at PAT of Rs.0.64 crore in FY2015-16 (provisional) against Rs.0.42 crore in the previous year. The liquidity position is stretched evident from the high bank limit utilisation of over 100 per cent for the period November 2015 to May 2016. The operating margin declined to 6.52 per cent (Provisional) in FY2015-16 against 8.10 percent in FY2014-15. The PAT margin declined marginally at 1.72 per cent in FY2015-16 in (Provisional) against 1.75 per cent in FY2014-15. The company reported moderate gearing of 1.27 times in FY15-16 (provisional) against 1.50 times in FY14-15 and moderate interest coverage ratio of 1.83 times in FY15-16 in (provisional) against 1.69 times in FY14-15. The debt service coverage ratio has improved at 1.59 times in FY15-16 in (Provisional) against 1.51 times in FY14-15. The networth of the company is at Rs.6.27 crore in FY15-16 in (provisional) against Rs.5.32 crore in FY14-15. The total debt of Rs.9.01 crore (includes quasi equity of Rs.1.03 crore as on March 31, 2016 provisional). The company faces intense market competition in the unorganised segment of the IT products industry.

However, the promoters Mr. H.S Bhatia and Mrs. Jasvinder Kaur Bhatia possess over 25 years of experience in the IT industry. The company has long track record of operations and established relations with customers and suppliers.

#### Outlook- Stable

SMERA believes BPIPL will maintain a stable business risk profile in the medium term on the back of established operations and experience of the promoters. The outlook may be revised to 'Positive' in case of improvement in profitability and net worth. Conversely, the outlook may be revised to 'Negative' with further deterioration in profitability and net worth.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Management of working capital funds

**Criteria applied to arrive at the ratings:**

- Trading Entities

**About the Company**

The Delhi-based BPIPL, was established in 1992 as a private limited company by Mr. H.S Bhatia and Mrs. Jasvinder Kaur Bhatia. The company is engaged in the manufacturing and trading of hako batteries, power bank and other computer accessories.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.64 crore (provisional) on operating income of Rs.37.10 crore, as compared with profit after tax (PAT) of Rs.0.42 crore on operating income of Rs.23.97 crore in FY2014-15. The net worth of the company stood at Rs.6.27 crore as on March 31, 2016 (provisional) against Rs.5.32 crore a year earlier.

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**ABOUT SMERA**

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