

Press Release

Bhatia Photo Industries Private Limited

22 January, 2018

Rating Upgraded, Reaffirmed and Assigned



Total Bank Facilities Rated	19.35Cr. (Enhanced from Rs. 10.50 Cr)
Long Term Rating	SMERA BB- /Stable (Upgraded from SMERA B+/Stable)
Short Term Rating	SMERA A4 (Reaffirmed)

SMERA has upgraded the long term rating to **'SMERA BB- ' (read as SMERA double B minus)** from **'SMERA B+' (read as SMERA B plus)** on the Rs. 7.50 crore bank facilities and reaffirmed the short term rating of **'SMERA A4' (read as SMERA A Four)** on the Rs. 5.40 crore bank facilities of Bhatia Photo Industries Private Limited (BPIPL). The outlook is **'Stable'**

Further, SMERA has assigned long term rating of **'SMERA BB- ' (read as SMERA double B minus)** and short term rating of **'SMERA A4' (read as SMERA A Four)** on the Rs. 6.45 crore bank facilities of Bhatia Photo Industries Private Limited. .

The upgrade is in view of significant improvement in revenues and the profitability margins of the company. SMERA believes going ahead the company will sustain the growth in revenues and profitability margins over the medium term.

The Delhi-based Bhatia Photo Industries Private Limited was incorporated in 1992 by Mr. H.S Bhatia and Mrs. Jasvinder Kaur Bhatia (Directors). The company manufactures and supplies hako batteries, chargers, inkjet photo papers, battery packs, Ni-cd/Ni-Mh batteries, lithium batteries among others.

Strengths

Established track record of operations, experienced management

BPIPL was incorporated in 1992 by Mr. H.S Bhatia and Mrs. Jasvinder Kaur Bhatia (Directors) who possess more than two decades of experience in the said line of business.

Moderate financial risk profile

The financial risk profile is moderate marked by net worth of Rs.6.93 crore as on 31 March, 2017 as against Rs. 6.12 crore as on 31 March, 2016. The gearing stood comfortable at 1.20 times as on 31 March, 2017 as against 1.25 times in the previous year. The total debt of Rs. 8.34 crore outstanding as on 31 March, 2017 comprises vehicle loan of Rs. 0.31 crore and working capital borrowings of Rs. 8.03 crore from the bank. The Interest Coverage ratio stood at 1.99 times in FY2017 as against 1.70 times in FY2016. The DSCR stood at 1.68 times in FY2017 as against 1.53 times in FY2016. The TOL/TNW stood at 2.69 times in FY2017 as against 2.18 times in FY2016.

The net cash accruals stood at Rs.0.95 crore in FY2017 as against Rs. 0.71 crore in FY2016. The NCA/TD stood at 0.11 times in FY2017 as against 0.09 times in the previous year.

SMERA believes that BPIPL will maintain its financial risk profile over the near to medium term on the back of sufficient net cash accruals and absence of any debt funded capex plan.

Reputed clientele

The company caters to a reputed client base including Wipro Limited, Flipkart, Snap deal and Paytm which has helped benefit from repeat orders.

Improvement in revenues and profitability margins

The company registered growth in revenue to Rs.31.18 crore in FY2017 from Rs. 27.46 crore in FY2016 and Rs. 23.89 crore in FY2015 owing to increase in sale of power banks. The profitability margins of BPIPL improved to 2.47 percent in FY2017 as against 1.84 percent in FY2016.

SMERA believes that the company will maintain profitability margins over the medium term on account of increase in sale of power banks in the existing business profile which enables the company to get good margins.

Weaknesses

Working capital intensive operations

BPIPL has working capital intensive operations marked by high GCA days of 285 days in FY2017 as against 240 days in FY2016. This is majorly on account of high inventory holding period of 138 days in FY2017 as against 174 days in FY2016. The creditor days are also stretched at 172 days in FY2017 as against 108 days in FY2016. The debtors have stretched to 70 days in FY2017 as against 36 days in FY2016. The bank limit utilisation stood at ~80-90 percent for the last six months ended October 2017.

Highly competitive and fragmented industry

BPIPL operates in a highly competitive industry and faces intense competition especially from cheaper China products which may lead to pressure on margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of BPIPL to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Outlook – Stable

SMERA believes that BPIPL will maintain a Stable outlook and continue to benefit over the medium term on account of the established market position of the company in the same industry and extensive experience of promoters. The outlook may be revised to 'Positive' in case of substantial increase in profitability margins supported by healthy revenue growth or significant improvement in capital structure resulting from considerable equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in company's profitability margins or significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	31.48	27.46	23.89
EBITDA	Rs. Cr.	2.73	2.23	1.94
PAT	Rs. Cr.	0.77	0.51	0.42
EBITDA Margin	(%)	8.75	8.11	8.12
PAT Margin	(%)	2.47	1.84	1.76
ROCE	(%)	17.93	15.25	15.35
Total Debt/Tangible Net Worth	Times	1.20	1.25	1.50
PBDIT/Interest	Times	1.99	1.70	1.69
Total Debt/PBDIT	Times	3.00	3.38	4.02
Gross Current Assets (Days)	Days	285	240	243

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
25-Sep, 2017	Cash Credit	Long Term	6.50	SMERA B+ (Issuer not co-operating*)
	Letter of Credit	Short Term	3.70	SMERA A4 (Issuer not co-operating)
	Bank Guarantee	Short Term	0.30	SMERA A4 (Issuer not co-operating)

20-Jun, 2016	Cash Credit	Long Term	6.50	SMERA B+ (Assigned)
	Letter of Credit	Short Term	3.70	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	0.30	SMERA A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50 (Revised from RS. 6.50 Cr.)	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BB-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.10 (Revised from Rs. 3.70 Cr.)	SMERA A4 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A4 (Reaffirmed)
Proposed Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.95	SMERA A4 (Assigned)

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ABOUT SMERA

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