

## Infomerics Valuation And Rating Pvt. Ltd.

### M/s Bhatia Trading Company

May 21, 2019

#### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1	Bank Facilities- Long Term	6.00	IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating draws comfort from the sustained growth in the firm's scale of operations and its comfortable debt protection metrics. These strengths are partially offset by its modest scale of operations, vulnerability of operating profitability to volatility in aluminium prices, small net worth and stretched capital structure. Timely off-take of operations at the manufacturing unit, scale of operations, profitability and capital structure are the key rating sensitivities.

#### List of Key Rating Drivers with Detailed Description

##### Key Rating Strengths

##### *Sustained growth in scale of operations*

The operating income of the firm has grown at a CAGR of 32.35% over the three years through FY18. This growth is mainly driven by increase in sales volume.

##### *Comfortable debt protection metrics*

BTC has comfortable debt protection metrics as reflected in interest coverage and Total Debt/GCA of 5.79x and 4.70x respectively in FY18.

## **Infomerics Valuation And Rating Pvt. Ltd.**

### **Key Rating Weaknesses**

#### ***Modest scale of operations***

BTC has a modest scale of operations as reflected in operating income of Rs.5.68crore in FY18. Though the scale is expected to improve over the medium term on account of the incremental sales from manufacturing unit set up in Rajasthan in addition to the trading sales done by the firm, it will continue to remain modest.

#### ***Small net worth***

The firm had a small net worth of Rs.0.53crore as on March 31, 2018, which restricts its financial flexibility. Though the net worth is likely to improve over the medium term on the back of higher accretion of profits, it will continue to remain small. Further, the net worth is subject to drawing by the proprietor.

#### ***Stretched capital structure***

BTC has a stretched capital structure as reflected in TOL/ TNW of 4.13x as on March 31, 2018 (unsecured loans from related parties treated as neither debt nor equity).The capital structure is likely to remain stretched over the medium term on account of increased dependence on bank limits to fund capex and working requirements as against a small net worth.

#### ***Vulnerability of operating profitability to volatility in aluminium prices***

The operating margins of BTC are susceptible to volatility in the prices of aluminium. During 2018-19, aluminium prices declined from USD 2254 per metric ton in April 2018 to USD 1871 in March-19. The operating profitability of the firm is likely to remain vulnerable to volatility in raw material prices going forward.

## **Infomerics Valuation And Rating Pvt. Ltd.**

### **Analytical Approach & Applicable Criteria:**

Standalone

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity**

The firm's working capital limits remained moderately utilized at an average 81.43 per cent during the last twelve months ended April 19. Also, BTC is expected to generate adequate cash accruals over the medium term to meet its repayment obligations. Though DSCR appears a bit stretched, the interest coverage ratio is satisfactory at  $>2$ .

### **About the Company**

Set up in 1998 by Mr.Parvinder Singh Bhatia, M/s. Bhatia Trading Co. (BTC) is engaged in the business of trading of aluminium profiles.

The firm has now set up a plant at Rajasthan for manufacturing of aluminium profiles with installed capacity of 3,000 MT per annum. The manufacturing unit is expected to commence production by June 2019.

## Infomerics Valuation And Rating Pvt. Ltd.

### Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2017	31-03-2018
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	3.21	5.68
EBITDA	0.17	0.36
PAT	0.09	0.28
Total Debt	0.48	1.39
Tangible Net worth	0.23	0.53
EBITDA Margin (%)	5.20	6.29
PAT Margin (%)	2.80	4.93
Overall Gearing Ratio (x)	2.06	2.61

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16

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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Proposed Cash Credit	Long Term	4.00	IVR BB-/Stable	-	-	-
2.	Long Term Fund Based Limits – Proposed Term Loan	Long Term	2.00	IVR BB-/Stable	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining



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prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Proposed Cash Credit	-	-	-	4.00	IVR BB-/Stable
Long Term Bank Facilities- Proposed Term Loan	-	-	-	2.00	IVR BB-/Stable