



RATING RATIONALE

4 Nov 2020

Baril Marketing Pvt. Ltd.

Brickwork Ratings Reaffirms the ratings for the Long Term Bank Loan Facilities of Baril Marketing Pvt. Ltd. (“BMPL” or the company) for a reduced amount of Rs.19.00 Crs.

Particulars:

| Facilities** | Amount (Rs. Crs.) | | Tenure | Rating* | |
|--------------|-------------------|--------------|------------------------------------|-----------------------------|-----------------------------|
| | Previous | Present | | Previous (Mar. 2019) | Present |
| Fund based | 22.00 | 19.00 | Long Term | BWR BB (Stable), Reaffirmed | BWR BB (Stable), Reaffirmed |
| Total | 22.00 | 19.00 | Rupees Nineteen Crores Only | | |

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank Loan facilities is provided in Annexure-I

^Rating migrated to Not Reviewed category on 19 Mar. 2020

Advisory issued for delay in Rating Review on 7 May 2020

RATING ACTION / OUTLOOK

Brickwork Ratings has **reaffirmed at BWR BB**, the ratings for the long term bank loan facilities of Baril Marketing Pvt. Ltd. while retaining the **Stable outlook**, for a **reduced amount of Rs 19.00 crs.**

The reaffirmation of the ratings factors in the experience of directors in this line of business, comfortable debt coverage indicators of the company, stable demand prospects for its products, and adequate liquidity. The rating is however, constrained by thin profitability margins, modest net worth position of the company and intense competition from other established players in the FMCG sector.

The outlook has been retained at ‘Stable’, as BWR believes that the business risk profile of the company is stable and growth in business and profitability is expected to be maintained in the medium term.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:NA

KEY RATING DRIVERS

Credit Strengths:

- **Experience of the directors:** The director, Mr. Vivek Daga is having experience of more than a decade in this industry. The extensive experience of the management has helped the company to understand the local market dynamics and establish healthy relations with customers, thereby supporting the business.
- **Comfortable Debt Coverage Indicators:** The comfortable financial risk profile of the company is marked by adequate liquidity and healthy debt coverage indicators. The current ratio stood at 1.46 times as per FY20 (Provisionals) compared to 1.18 times in FY 19. The interest service coverage ratio (ISCR) of the company stood at 2.06 times in FY20 (Provisionals). The company does not have any long term debt in its capital structure.
- **Stable Demand Prospects for Products:** Baril Marketing Private Limited is one of the Distributors of Patanjali Ayurved Limited & Divya Pharmacy for the North-East Region. The company has a diverse product portfolio in the categories ranging from Ayurvedic medicines and products, FMCG, healthcare, etc. The demand outlook for such products remains stable in the present situation.

Credit risks:

- **Thin Profitability Margins:** Owing to the trading nature of the business marked by low value addition and high competition in the FMCG trading segment, the operating profit and net profit margins remained thin. Due to reduced profitability, the cash accruals of the company also remained low at Rs.0.88 crore as per FY 20(Provisionals).
- **Modest Net Worth:** The capital structure of the company has a leverage on the higher side with debt to equity of 2.18 times in FY19 due to a relatively low net worth of Rs. 8.08 Crs. However, as per FY20(Prov.), the debt to equity ratio stands at 0.78 times on account of lower utilisation of debt and marginal improvement of net worth to Rs. 8.97 crs owing to retention of profits.
- **Intense competition from other established players in the FMCG sector:** Being a distributor of Patanjali products, the fortune of the company is largely inter connected with Patanjali's brand image. The presence in the FMCG sector, which is highly competitive with numerous organised and unorganised players, limits the pricing flexibility of industry participants.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: The rating may be upgraded in case of improvement of sales volume and margins and infusion of equity in the business.

Negative: Any delays in servicing of debt obligations, any further deterioration in margins and liquidity may lead to negative rating action.

LIQUIDITY INDICATORS :Adequate

The liquidity position of the company remained adequate. Net Cash accruals of the company stood at Rs. 1.65 crs in FY 19 and Rs. 0.88 crs in FY20 (Provisionals). Average utilisation of the dealer financing limits has been low and stood at about 30% in the past eight months. Current Ratio of the company stood at 1.18 times in FY19 and 1.46 times as per FY 20 (Provisionals). ISCR & DSCR of the company stood at 2.06 times & 1.79 times respectively in FY20 (Provisionals).

COMPANY'S PROFILE

Baril Marketing Private Limited is a Guwahati based Private Limited Company incorporated in 2007 with its office located in G.M Tower, Fancy Bazar, Guwahati. Mr. Vijay Singh Daga, Mr. Sushil Kumar Daga, Mr. Subhash Daga, Mr.S K Bothra and Mr. Vivek Daga are the current directors of the Company. The company is one of the Distributors of Patanjali Ayurved Limited & Divya Pharmacy for the North-East Region.

KEY FINANCIAL INDICATORS

The company has reported operating income of ₹188.49 crs and net profits of Rs. 0.88 crs as per FY20 Provisionals. Tangible Net Worth of the company is expected to increase marginally to ₹8.97 crs as per Provisional financials for FY20 against ₹8.08 crs in FY19 (FY18: ₹6.57 Crs). Gearing of the company has also improved to 0.78 times in FY 20 Provisionals as against 2.18 times in FY 19(FY 18: 2.82 times).

| Key Financial Indicators | Units | FY19 | FY18 |
|-------------------------------|-------|---------|---------|
| Result Type | | Audited | Audited |
| Operating Revenue | ₹ Crs | 199.55 | 237.53 |
| EBITDA | ₹ Crs | 3.21 | 2.38 |
| PAT | ₹ Crs | 1.58 | 1.09 |
| Tangible Net Worth | ₹ Crs | 8.08 | 6.57 |
| Total Debt/Tangible Net Worth | Times | 2.18 | 2.82 |
| Current Ratio | Times | 1.18 | 1.09 |

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY :Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

| S. No | Name of Instrument | Current Rating | | | Chronology of Rating History for the past 3 years along with outlook/watch, if applicable | | | | | | | | | | | | | | |
|--------------|--------------------|----------------|--------------------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|-----|---|---|-------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|-------|-----|---|--|-------------|
| | | Type | Amount Outstanding (₹ in Crs.) | Rating | Date(s) & rating(s) assigned in year 2019 | Date(s) & rating(s) assigned in year 2018 | Date(s) & rating(s) assigned in year 2017 | | | | | | | | | | | | |
| 1. | Bank Loan Facility | Long Term | 19.00 | BWR BB (Stable) Reaffirmed with reduction in amount | 18.03.19^ <table border="1" data-bbox="829 821 1073 940"> <tr> <td>F</td> <td>22.0</td> <td>BWR</td> </tr> <tr> <td>B</td> <td>0</td> <td>BB (Stable)</td> </tr> </table> Reaffirmed with reduction in amount | F | 22.0 | BWR | B | 0 | BB (Stable) | - | 27.11.17# <table border="1" data-bbox="1235 821 1479 940"> <tr> <td>F</td> <td>25.00</td> <td>BWR</td> </tr> <tr> <td>B</td> <td></td> <td>BB (Stable)</td> </tr> </table> Reaffirmed for enhanced amount | F | 25.00 | BWR | B | | BB (Stable) |
| F | 22.0 | BWR | | | | | | | | | | | | | | | | | |
| B | 0 | BB (Stable) | | | | | | | | | | | | | | | | | |
| F | 25.00 | BWR | | | | | | | | | | | | | | | | | |
| B | | BB (Stable) | | | | | | | | | | | | | | | | | |
| Total | | | 19.00 | Rupees Nineteen Crores Only | | | | | | | | | | | | | | | |

^Rating migrated to Not Reviewed category on 19 Mar. 2020
Advisory issued for delay in Rating Review on 7 May 2020
#Rating migrated to Not Reviewed category on 28 Feb. 2019
Initial Rating of BWR BB(Stable) assigned on 28 June 2016.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)

| Analytical Contacts | |
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Baril Marketing Pvt. Ltd.

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

| Sl. No. | Name of the Bank | Type of Facilities | Long Term (Rs. Crs.) | Short Term (Rs. Crs.) | Total (Rs. Crs.) |
|------------------------------------------|---------------------|--------------------|----------------------|-----------------------|------------------|
| 1. | State Bank of India | E-DFS | 19.00 | - | 19.00 |
| Total Rupees Nineteen Crores only | | | | | 19.00 |



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