

Rating Rationale

Brickwork Ratings assigns 'BWR BBB' & 'BWR A3' for the Bank Loan Facilities aggregating ₹ 150 Cr of Bharath Infra Exports & Imports Ltd.

Brickwork Ratings has assigned the following **Ratings**¹ for Bank Credit facilities of Bharath Infra Exports & Imports Ltd. (BIEIL)

| Facility | Limits (₹ Cr) | Tenure | Rating |
|--------------------------------|------------------|--|---|
| Cash Credit | 10.00 | Long Term <u>(Fund Based)</u> | BWR BBB (BWR Triple B) (Outlook-Stable) |
| Letter of Credit (Existing) | 75.00 | Short Term <u>(Non-Fund Based)</u> | BWR A3 (BWR A Three) |
| Letter of Credit (Proposed) | 65.00 | | |
| Total | 150.00 | INR One Hundred Fifty Crores only | |

The rating factors, inter alia, the experience of the promoter and established track record of the company with its suppliers and customers, efficient working capital and inventory management, growth in revenues and comfortable debt protection metrics. However, the rating is constrained by moderate net worth, low profitability inherent to the trading sector, geographic concentration and dependence on cyclical real-estate industry.

Background:

Bharath Infra Exports & Imports Ltd (BIEIL) was established in 2008 by Mr. Dayananda Reddy. BIEIL owns and operates Landmaark mall which provides an interface between building material suppliers and real estate and infrastructure Developers. The company is also engaged in trading of MS Billets and TMT bars. Landmaark is the one stop solution for building materials and interior needs. The mall is spread across 60,000 sq. ft. over 5 floors, 1 lakh Sq. ft. dedicated parking area and has 3 lakh Sq.ft. of warehouse facility.

Management Profile:

The company is a closely held limited company and has 5 directors on the Board. The company is headed by Mr. Dayananda Reddy, the Chairman and Managing director. The other directors are Mrs. Neelamma, Ms. Ranjitha D, Ms. Prathibha D and Mr. Bharath D.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Expansion Plan:

BIEIL proposes to set up a chain of retail stores under the brand of “SMART HOMES”. The company was so far operating in the B2B market. This expansion will provide access to the B2C/retail sector. To start with, the company is proposing to start 30 retail outlets across Bangalore on a franchise basis by August, 2014 and expand these operations across India thereafter. These operations are based on Franchise model, where the investment involved will be around 45 lakhs (including royalty fees of Rs 10.00lakhs) excluding office space. The Initial contract period for the franchise model is 5 years. Letter of Intent has been received for all 30 outlets and the company is in the process of finalizing agreements. Expected date by which these outlets will be functional is by Aug, 2014. Expected turnover from the retail business will be an additional Rs. 500 crs for FY15.

Financial Performance:

During FY13, the net revenues increased to ₹633.51 Crores from ₹416.68 Crores in the previous year. The company’s net profit margin has increased to 0.69% in FY13 from 0.26% in FY12. ISCR has increased from 0.68 times in FY12 to 1.36 times in FY13. Current ratio has marginally decreased from 1.32 times as on 31-3-2012 to 1.27 times as on 31-3-2013, due to increase in creditors payable. Debt equity ratio is comfortable at 0.01 times as on 31-3-2013. The tangible net-worth was moderate at Rs.32.53 crores as on FY13.

As per FY14 provisional financial statements, the company has achieved net revenue of Rs 703.76Cr with a PAT of Rs 5.34Cr. The Networth of the company as on 31-3-2014 stood at Rs 37.89Cr.

Rating Outlook:

The rating reflects the position of the company in the trading business of A-Z building construction materials and Imports & Exports, proposed expansion of the business model to include the retail sector and its diversified revenue and product mix. BIEIL’s ability to sustain the growth in revenues and improve its profitability, timely execution of its ongoing expansion plans through retail outlets will be key rating sensitivities.

| | |
|--|--|
| Analyst Contact | Relationship Contact |
| analyst@brickworkratings.com | bd@brickworkratings.com |
| Phone | Media Contact |
| 1-860-425-2742 | media@brickworkratings.com |

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.