



Rating Rationale

Bhawani Traders

7 Jan 2020

Brickwork Ratings affirms the rating for the Bank Loan Facilities of ₹. 5.00 Cr of Bhawani Traders.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	5.00	Long Term	BWR B+ (Stable)
Total	5.00	INR Only	INR Five Crore Rupees Only

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

Rating Outlook: Stable

The rating of Bhawani Traders has been assigned at BWR B+ on account of extensive experience of the promoters in the Trading of Electronic Goods, Healthy Liquidity profile, Moderate Coverage Ratio, Efficient working Capital management, Inherent/Potential Risk of withdrawal of Capital, Intense competition with geographical concentration, High Customer and Supplier concentration, Stretched gearing, Weak profitability margins. The ratings have been assigned a stable outlook on account of the potential demand for Electronics goods in local market, healthy demand for its products. BWR believes that Bhawani Trader's business risk profile will be maintained over the medium term.

Description of Key Rating Drivers

- **Credit Strengths:**

Management Experience : Extensive experience of the promoter of more than 3 decades in this area of operations.

Moderate Level of Scale & Healthy Liquidity : Moderate level of scale of operations with the TOI standing at Rs. 104.96 crs in FY19 (Prov) though the same declined marginally from Rs 114.18 Cr in FY18 . Healthy liquidity as current ratio stands at 2.55x in FY19 (Prov) as compared to at 1.39x in FY18.



Moderate Coverage ratios & Profitability : Moderate Coverage ratios with ISCR and DSCR standing at 1.53x and 1.67x respectively in FY19 (Prov) as compared to 1.67x and 1.08x in FY18. Moderate NPM standing at 1.30 % in FY19 (Prov) as compared to 0.95% in FY18.

Efficient Working capital management : Efficient Working capital management marked by Gross current assets(GCA) to sales standing at almost 16.63% in the current year FY19(Prov).

- **Credit Risks:**

Inherent/Potential Risk of Capital : Inherent/Potential Risk of Withdrawal of Capital attached to the constitution of the firm, as it is proprietorship firm.

High Competition & Geographical Concentration : Highly competitive industry with the competition from various organized ,unorganized as well as ecommerce players. Geographical Concentration- The firm is based out and mainly operates in Madhya Pradesh this makes it vulnerable to any administrative, political, economical, legal changes in these states.

High Customer and Supplier concentration & Technological Challenge : High Customer and Supplier concentration with more than 80 % of sale and purchases done from Top 5. Technological Challenges due to obsolescence of product with advancement in technology.

Stretched Gearing & Low Capital Level : Gearing remains stretched as Total Debt/ TNW stand at 2.29x in FY19 (Prov) though it shows improvement as compared to 2.95x in FY18. Low Tangible net worth though moderately increased to Rs. 5.24 Crs in FY19 (Prov) from Rs.3.96Crs in FY18. TNW (A) increased to Rs. 6.87 Crs in FY19 (Prov) as compared to Rs. 5.10 Crs in FY18.

Analytical Approach

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

Rating sensitivities:

Going forward the company's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity will be the key rating sensitivities.



Positive: The rating will be upgraded if the company is able to achieve significant growth in revenue and improvement in profitability backed by a favourable industry scenario.

Negative: The rating may be downgraded if there is lower than expected revenues affecting the profitability margins, coverage ratios, liquidity and gearing ratios adversely.

Liquidity Position

The average CC utilization for the last 6 months stands at 83.91% . The cash and cash equivalents stand at Rs 2.81 Crs in FY19(Prov) . The current ratio stands at 2.55x in FY19 (Prov) . Long term Obligations Consists of Unsecured loans and Vehicle Loan . ISCR and DSCR standing at 1.53x and 1.79x in FY19(Prov).

About the Company

The Jabalpur based Bhawani traders was started by Shri Kishan Chand Parwani in 1981. It has its customer base in Jabalpur and adjacent areas in Madhya Pradesh It is a distributor of various electronic goods like mobile phones, accessories, air coolers and various other home appliances. It has an overall experience of more than 3 decades in this business.

Company Financial Performance

Key Parameters	Units	FY 17-18	FY 16-17
Result Type		Audited	Audited
Operating Revenue	₹ Cr	114.18	104.77
EBITDA	₹ Cr	1.74	0.42
PAT	₹ Cr	1.08	0.82
Tangible Net worth	₹ Cr	3.96	3.13
Total Debt/Tangible Net worth	Times	2.95	3.03
Current Ratio	Times	2.52	2.68

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)



Analytical Contacts	Investor Contact
<p>Shweta Manohar Ratings Analyst B : +91 22 2831 1426 Ext : 653 shweta.m@brickworkratings.com</p> <p>Sushil Kumar Chitkara Associate Director - Ratings B : +91 22 2831 1426, +91 22 2831 1439 sushilkumar.c@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications M : +91 84339 94686 liena.t@brickworkratings.com</p>
Phone: 1-860-425-2742	

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Annexure 1-

Details of Bank Facilities

Name of Bank	Facilities	Tenure	Amount (Rs. Crs)
UCO Bank	Cash Credit	Long Term	5.00
Total	Rupees Five Crores Only		5.00