

Rating Rationale

Bohra Industries Ltd.

10 Jan 2019

Brickwork Ratings reaffirms ratings for the long term bank loan facilities and short term bank loan facilities of Bohra Industries Ltd.

Particulars

Facility	Tenure	Previous Amount	Current Amount	Previous rating*	Current Rating
Cash Credit	Long Term	48.00**	48.00	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) (Reaffirmed) Outlook: Stable
Bank Guarantee	Short Term	5.00	5.00	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A3+ (Pronounced as BWR A Three Plus) (Reaffirmed)
L.C		15.00	15.00		
Total		68.00	68.00	Rupees Sixty Eight crores only	

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

** Rs.5 crs under process of sanction

BWR reaffirms rating of long term bank loan facility of Rs.48 crs at BWR BBB- with stable outlook and short term rating of BWR A3+ for short term bank loan facility of Rs.20 crs.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, provisional financial results as on 30 Sept 2018, projected financials up to FY21, publicly available information and information/clarifications provided by Bohra Industries Ltd. (BIL or “the Company”).

The ratings continue to draw strength from experience of the promoters and proximity of manufacturing unit to the source of key raw material. The ratings also factor in the improvement in gearing profile over past three years, mitigation of forex risks due to reduction in overall imports and moderate, yet growing, scale of operations. The ratings are, however, constrained by working capital intensive nature of operations, as reflected by high cash conversion cycle and below par capacity utilization.

Liquidity of the company is comfortable as reflected by Debt coverage metrics (DSCR/ISCR), gearing profile (Total Debt/TNW, TOL/TNW ratios) and other liquidity indicators (viz.Current Ratio).

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Business of the company is working capital intensive with high inventory and receivables holding periods. Receivables are in the nature of subsidies and timely receipt thereof, including GST from GOI, is a key liquidity sensitivity.

Key Rating Drivers

Credit Strengths:

- (1) **Experienced promoters:** The management/Directors are well qualified. The MD, Mr. Hemant Bohra, has over 3 decades of business experience and is well qualified. Mr Sunil Bhandari, Director, has also considerable experience in the related fields.
- (2) **Proximity of key raw material:** The plant of Bohra Industries is set up in Udaipur which is currently the largest SSP manufacturing hub of the country, owing to its proximity to key raw material sources viz. rock phosphate and sulphuric acid.
- (3) **Improvement in Gearing Profile:** Gearing (TOL/TNW ratio) improved from 2.03x in FY16 to 1.13x in FY17, due to raising equity on NSE Emerge. The ratio marginally deteriorated to 1.23x in FY18 due to increase in unsecured loans (subordinated debt).
- (4) **Mitigation of forex risk:** The Company has reduced its direct imports from 26% in FY17 to 8% in FY18 by procuring the material from indigenous suppliers. Thus they have minimised their foreign exchange risks which is characterised by frequent fluctuations in the international market prices.
- (5) **Moderate yet growing scale of operations:** During FY18, the company achieved gross sales of Rs.125crs against sales of Rs.101 crs during FY17. In 9MFY19, the company achieved sales of Rs.68 crs as against FY19 projected sales of Rs.132 crs. The company advised that bulk of the sales materialise during last quarter of each financial year, as per the past trend.

Credit Concerns:

- (1) **Working capital intensive nature of operations:** Cash Conversion Cycle (CCC) of the company is very high at 262 days in FY18 against 268 days in FY17, reflecting in higher working capital requirements for the company. CCC is high due to high receivables days (4-5 months credit period offered to buyers/ government) and high inventory holding days, as is common in this industry.
- (2) **Capacity utilization:** During current FY 19, additional capacity of 180,000 MTPA was commissioned. With a marginal projected increase over previous year sales, projected capacity utilization turns out to be approx. 45%. With high capex costs and therefore high operating leverage of the manufacturing plant, better utilisation of the available capacity would be a key sensitivity factor.

Rating Outlook: Stable

BWR believes that Bohra Industries Ltd's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement.

The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

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).

About the Company

BIL was set up in the year 1999 in Udaipur by a first generation entrepreneur, Mr. Hemant Bohra. The company is involved in the manufacturing of Single Super Sulphate (SSP) in both powdered and granular form. BIL was earlier known as Aminag Minchem Pvt. Ltd. The plant is located near Udaipur, which is the largest Single Super Phosphate (SSP) manufacturing hub of the country owing to proximity of key raw materials viz., rock phosphate and sulphuric acid.

Company's Financial Performance

	Unit	FY17 (Aud)	FY18 (Aud)
Net Sales/Revenues	Rs. in Cr	101.50	125.42
EBIDTA	Rs. in Cr	13.26	16.92
PAT	Rs. in Cr	3.95	7.41
Tangible Net worth	Rs. in Cr	73.62	77.96
TOL/ TNW	Times	1.13	1.23
Current Ratio	Times	1.88	1.73

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (FY2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	FY2018	FY2017	FY2016
1	Cash Credit	Long Term	48.00	BWR BBB- Outlook : Stable (Pronounced as BWR Triple B Minus)	BWR BBB-(Outlook : Stable (Pronounced as BWR Triple B Minus)	BWR BBB-(Outlook : Stable (Pronounced as BWR Triple B Minus)	BWR BBB- Outlook: Stable (Pronounced as BWR Triple B Minus)
2	Bank Guarantee	Short Term	5.00	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three)
3	L.C		15.00				
			Rs. 68.00 Cr (Rupees Sixty Eight crores only)				

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information – NIL

Hyperlink/Reference to applicable Criteria

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

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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