



RATING RATIONALE

Shree Bhagwati Industries

27 Dec 2019

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹ 9.89 Crores of Shree Bhagwati Industries [SBHI]

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Oct,2018)	Present
Fund based Cash Credit	3.00	3.00	Long Term	BWR BBB-/Stable	BWR BBB-/Stable (Reaffirmed)
Term Loan*	0.00	6.89			
Total	3.00	9.89	INR Nine Crore Eighty Nine Lakh Only		

* Represents outstanding balance of Term Loan as on 30.11.2019

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

*** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I.

RATING ACTION / OUTLOOK

BWR reaffirms the long term ratings for the bank loan facilities of Shree Bhagwati Industries (SBHI) as BWR BBB- with 'Stable' outlook. The ratings take into consideration the vast experience of the management, healthy financial risk profile and reputed clientele of the firm. The ratings are however constrained by the constitution of the firm (Proprietorship) and moderate scale of operations.

BWR believes the business risk profile of SBHI 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 there is any deterioration in Financial Risk Profile.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced management:** The firm is being managed by Mr. Subhash Chand and his son Mr. Prinkle Khanna having rich experience in the line of business.
- **Healthy Financial Risk Profile:** Although Networth of the firm stood at Rs. 15.78 Cr as on 31.03.2019, but Gearing ratios are comfortable with TD/TNW at 0.47 times and TOL/TNW at



0.83 times. Further, Coverage ratios are also comfortable with ISCR at 26.24 times and DSCR at 24.42 times for FY19. Current ratio is adequate at 2.05 times for FY19.

- **Established relationships with reputed FMCG companies:** The firm has strong business relationship from last 7 years with the FMCG companies like ITC Limited, Godrej Consumer Products Ltd., Dabur Industries, Pidilite Industries etc.

Credit Risks:

- **Proprietorship constitution:** Shree Bhagwati Industries, being a proprietorship concern is exposed to risk related to capital withdrawal. It also restricts its financial flexibility in terms of limited access to external funding. During FY19, there was capital withdrawal of Rs. 2.13 Cr from the firm.
- **Moderate Scale of operations:** The firm achieved operating revenue of Rs. 57.20 Cr in FY19 as against Rs. 58.11 Cr in FY18. However, with the set up of new machinery and increased in capacity from 260 lakh corrugated boxes p.a to 620 lakh corrugated boxes p.a, revenues are expected to rise going forward.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone approach for the Company. 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 firm's ability to improve its revenue and profitability along with maintenance of Financial Risk profile and no significant withdrawal of capital from the firm would be key rating sensitivities.

Positive: The ratings may be upgraded going forward if the firm is able to significantly increase its revenue and profitability in the near future.

Negative: The ratings may be downgraded if there is any deterioration in the Financial Risk profile and there are any significant drawings of capital from the business.

LIQUIDITY POSITION: ADEQUATE

- The firm had Cash & Cash Equivalents of Rs. 0.22 Cr as on 31.03.2019.
- Long term Loans from Banks stood at Rs.5.59 Cr as on 31.03.2019. Current portion of Long Term Debt as on 31.03.2019 was Rs. 0.42 Cr.
- Current Ratio of the firm was 2.05 times as on 31.03.2019.
- Average utilisation of the Cash Credit limit for the last 1 year was around 70%.

- Coverage ratios of the firm were healthy with ISCR at 26.24 times and DSCR at 24.42 times.
- Conversion cycle to the firm was moderate at 44 days with Inventory days at 11 days and payable days at 30 days.
- The firm did not have any subsidiary/associate concerns.

About the Firm:

Shree Bhagwati Industries is a proprietorship concern of Sh. Subhash Chand. The firm is engaged in manufacturing Corrugated Boxes which are used in packaging by the FMCG companies. The firm has its plant located in Village Jharmajri, Industrial Area, Baddi, Distt. Solan, Himachal Pradesh. During FY19, there was a capacity expansion which resulted in increase in Installed capacity from 260 Lakh boxes p.a. to 620 Lakh boxes p.a. Prior to capacity expansion, the unit was running at full capacity. As on date the capacity utilisation stands at around 55% and by year end is expected to be around 75%. The firm has some reputed clients such as ITC Limited , Godrej Consumer Product Limited, Adani Agrifresh Limited , Pidilite Industries Limited.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Income	Cr	57.20	58.11
EBITDA	Cr	4.89	5.09
PAT	Cr	2.50	3.99
Tangible Net Worth	Cr	15.78	15.42
TD/TNW	Times	0.47	0.10
Current Ratio	Times	2.05	3.35

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NIL

RATING HISTORY

Instrument / Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	26 Oct 2018	2017	2016
Fund Based Cash Credit	Long Term	3.00	BWR BBB- /Stable (Reaffirmed)	BWR BBB- /Stable	NA	NA
Term Loan	Long Term	6.89				
Total		9.89	INR Nine Crore Eighty Nine Lakh Only			

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](#)

[Manufacturing Companies](#)

Analytical Contacts	Investor and Media Relations
<p>Gunsahib Singh Ratings Analyst B :+91 172 5032 295 / 6 Ext :104 gunsahib.s@brickworkratings.com</p> <p>V K Kukreja Associate Director - Ratings B :+91 11 2341 2232 kukreja.vk@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>



Shree Bhagwati Industries

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1	Oriental Bank of Commerce	Cash Credit	3.00	0.00	3.00
2		Term Loan	6.89	0.00	6.89
Total INR Nine Crore Eighty Nine Lakh Only					9.89

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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 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