

## Bhatia Photo Industries Private Limited

October 25, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BB; Negative / CARE A4 (Double B ; Outlook: Negative / A Four) and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB; Negative (Double B; Outlook: Negative) and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00</b> <b>(Rs. Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reviewed and reaffirmed the rating assigned to the bank facilities of **Bhatia Photo Industries Private Limited (BPIPL)** to CARE BB; Negative/CARE A4; and has simultaneously withdrawn it, with immediate effect. The rating factors in the constraints relating to continues to remain constrained on account of small though growing scale of operations, leveraged capital structure, working capital intensive nature of operations, foreign exchange fluctuation risk and Industry characterized by intense competition. The rating however, continues to derive comfort from experienced management, moderate profitability margins and debt coverage indicators and Moderate liquidity indicators.

The rating withdrawal is at the request of BPIPL and 'No Objection certificate' received from the bank that have extended the facilities rated by CARE.

### Key Rating Weakness

#### ***Small though growing scale of operations***

The scale of operations as marked by total operating income and gross cash accrual stood small at Rs.59.40 crore and Rs.3.75 crore for FY21 (FY refers to period April 1 to March 31). Further, the net worth base of the company stood relatively small at Rs.13.24 crore as on March 31, 2021. The small scale of operations limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the scale of operation is growing continuously.

#### ***Leveraged capital structure***

The capital structure as marked by overall gearing ratio (including acceptances/ creditors on LC) remained leveraged at 2.12x as on March 31, 2021 as against 2.41x as on March 31, 2020 mainly on account of increase in net worth base as on balance sheet date.

#### ***Working capital intensive nature of operations***

The company has large portfolio with wide variety of products. It maintains adequate inventory in form of raw material for smooth running of manufacturing process. Also, it maintains adequate inventory in form of finished goods to meet immediate demand of its customers. Entailing the same, it resulted into average inventory days are 223 in FY21. The inventory holding period elongated in FY19 & FY20 owing to addition of product range under the KODAK product tie up. The average collection period increased from 29 days in FY19 to 47 days in FY21. Further, average creditor days also increased from 41 days in FY21 on account of established relationship with its suppliers.

#### ***Foreign exchange fluctuation risk***

The company imports its raw material from China and USA. The material is completely sold in the domestic market. With initial cash outlay for procurement in foreign currency and significant chunk of sales realization in domestic currency, the company is exposed to the fluctuation in exchange rates which the company does not hedge. The risk is more evident now that the rupee has registered considerable volatility and could leave the company carrying costly inventory in case of sudden appreciation.

#### ***Industry characterized by intense competition***

The Indian IT hardware and telecommunication market being highly price sensitive and value driven is fragmented with large number of organised and unorganised players, which has led to stiff price competition. Further, there is an influx of low priced products from China in the technology products and allied equipment sector.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

### Key Rating Strengths

#### **Experienced management**

The company is managed by Mr Harjeet Singh, Mrs Jasvinder Singh, Mr Gurpreet Singh and Mr Gurmeet Singh. Mr Harjeet Singh and Mrs Jasvinder Singh have an experience of around three decades from their association with this entity along with their association with DTPL, whereas Mr Gurpreet Singh and Mr Gurmeet Singh have an experience of around a decade from their association with BPPL. Further, Mr Harjeet Singh and Mrs Jasvinder Kaur focus majorly on photographic equipment whereas; Mr Gurpreet Singh and Mr Gurmeet Singh focus majorly in manufacturing of computer accessories.

#### **Moderate profitability margins and debt coverage indicators**

The company maintains wide variety of product portfolio having varied profitability margins with profitability directly linked with the product sold. PBILDT and PAT margin improved from 7.90% and 1.70% respectively in FY20 to 13.29% and 5.94% respectively in FY21 on account of increase in sales and better operational management. Owing to moderate profitability margins, the debt coverage indicators as marked by interest coverage and total debt to gross accrual ratio remained moderate at 2.94x and 7.48x for FY21.

#### **Moderate liquidity indicators**

The liquidity indicators stood moderate as marked by current and quick ratio of 1.58 times and 0.45 times as on March 31, 2021. The cash and bank balance stood at Rs.0.65 crore as on March 31, 2021.

#### **Liquidity analysis: Stretched**

**Analytical approach:** Standalone

#### **Applicable Criteria**

[Policy on Withdrawal of ratings](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

#### **About the Company**

Delhi-based, Bhatia Photo Industries Private Limited was incorporated in August, 1992. The company is managed by Mr Harjeet Singh Bhatia, Mrs Jasvinder Kaur Bhatia, Mr Gurmeet Singh Bhatia and Mr Gurpreet Singh Bhatia. The company is engaged in manufacturing as well as trading of batteries for camera and laptops, it also deals in spare parts like camera lights, light stands, laptop screen, mother board etc.

Brief Financials (Rs. crore)	Rs Crore	
	FY20 (A)	FY21 (A)
Total Operating Income	46.62	59.40
PBILDT	3.68	7.89
PAT	0.79	3.53
Overall Gearing (times)	2.41	2.12
Interest coverage (times)	1.71	2.94

A: Audited;

**Status of non-cooperation with previous CRA:** Acuite (SMERA) has placed its rating under non-cooperation due to non-submission of information by the entity as per its press release dated August 25, 2021.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based/Non-fund-based-LT/ST		-	-	-	0.00	Withdrawn

**Annexure-2: Rating History of last three years**

Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB; Negative (06-Nov-20)	1)CARE BB; Stable (04-Oct-19)	1)CARE BB; Stable (01-Nov-18)
Fund-based/Non-fund-based-LT/ST	LT/ST*	-	-	-	1)CARE BB; Negative / CARE A4 (06-Nov-20)	1)CARE BB; Stable / CARE A4 (04-Oct-19)	1)CARE BB; Stable / CARE A4 (01-Nov-18)
Fund-based - LT-Proposed fund based limits	-	-	-	-	-	1)CARE BB; Stable (04-Oct-19)	1)CARE BB; Stable (01-Nov-18)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Amit Jindal

Contact no.: +91- 11-4533 3233

Email ID: [amit.jindal@careratings.com](mailto:amit.jindal@careratings.com)

### Relationship Contact

Swati Agrawal

Contact no.: +91-11-4533 3200

Email ID: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**