

Press Release

Brilliant International LLP

July 22, 2019



Rating Downgraded and Reaffirmed

Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable (Downgraded from ACUITE B/stable)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating from '**ACUITE B**' (**read as ACUITE B**) to '**ACUITE B-**' (**read as ACUITE B minus**) and reaffirmed the short term rating of '**ACUITE A4** (**read as ACUITE A four**) on the Rs. 19.00 crore bank facilities of Brilliant International LLP (BIL). The outlook is '**Stable**'.

The rating downgrade is on account of continuous losses at operating level in the last three years ending FY2019 coupled with negative net cash accruals resulting in weak financial risk profile in FY2018 and FY2019.

Established in 1992, the Mumbai based Brilliant International LLP (BIL) is promoted by Mr. Ram Chainani and Mr. Bipin Chainani. BIL is engaged in manufacturing and trading of a wide range of electronic goods and household products including switches, socket and non-stick cookware. BIL imports household products such as nonstick cookware from China and sells through dealer network and to reputed retail chains in India.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of BIL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record and consistent fund support from promoters**

BIL, established in 1992, has an established track record of operations. Mr. Ram Chainani and Mr. Bipin Chainani, promoters of the firm, have more than three decades of experience in this line of business. The promoters have consistently infused fund in the form of unsecured loans and the same stood at Rs. 5.47 crore as at March 31, 2019 (Prov). These loans, which are expected to remain in the business in the medium term, are expected to support the working capital operations of the company going forward.

- **Modest growth in revenue profile**

BIL has posted modest growth in operating revenue of Rs. 13.26 crore in FY 2019 (Prov) as compared to Rs. 9.84 crore in FY 2018 thereby registering a 35 per cent growth y-o-y. BIL caters to retail chains such as Reliance Retail and provides corporate gifts and promotional items to fast moving consumer good companies.

Weaknesses

- **Decline in profitability**

BIL's operating margin declined to 3.42 percent in FY2019 (Prov.) from 10.02 percent in FY 2018 and 9.53 percent in FY 2017. The sharp decline is due to change in customer profile. Low operating margins coupled with high interest cost resulted in negative net profit margins of (6.57) percent in FY2019 as against (5.98) percent in the previous year.

- **Weak financial risk profile**

BIL's financial risk profile is weak marked by modest net worth, high gearing and weak debt

protection metrics. The net worth stood at Rs. 6.13 Crore as on March 31, 2019 (Prov) as against Rs. 4.11 Crore as on March 31, 2018. Acuité has considered unsecured loans of Rs. 4.24 Crore as quasi equity as the same is subordinated to the bank debt. The gearing improved, however remained high at 1.93 times as on March 31, 2019 (Prov.) as against 2.80 times as on March 31, 2018. The net cash accruals remained negative at Rs. (0.56) crore in FY2019 (Prov.) as against Rs. (0.23) Crore in the previous year. The same resulted in weak debt protection metrics marked by interest coverage ratio (ICR) of 0.54 times and debt service coverage ratio of 0.53 times in FY2019 (Prov.).

• Stretched working capital nature of operations

BIL's operations are working capital intensive as reflected in its gross current asset of 432 days as on 31 March, 2019 (Prov.) as against 520 days in the previous year. The same was on account of high inventory holding of 287 days as against 357 days in the previous year because of low saleability. Credit extended to customers stood at 69 days as on 31 March, 2019 (Prov.) as against 53 days in the previous year. Going forward, the company's ability to improve its working capital cycle will remain a key monitorable.

Liquidity Profile:

BIL's has stretched liquidity marked by negative net cash accruals. The company generated cash accruals of Rs. (0.56) crore during FY2018-19 in absence of no maturing debt obligation. The cash credit limit of the company remains utilised at around 80 percent during the last 5-month period ended March, 2019. The company maintains unencumbered cash and bank balances of Rs.0.02 crore as on March 31, 2019. The current ratio of the company stood at 1.53 times as on March 31, 2019 (Prov.).

Outlook: Stable

Acuité believes that BIL will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience in the industry. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the revenue and profitability or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	13.26	9.84	19.48
EBITDA	Rs. Cr.	0.45	0.99	1.86
PAT	Rs. Cr.	(0.87)	(0.59)	0.13
EBITDA Margin	(%)	3.42	10.02	9.53
PAT Margin	(%)	(6.57)	(5.98)	0.65
ROCE	(%)	1.98	4.12	9.57
Total Debt/Tangible Net Worth	Times	1.93	2.80	1.44
PBDIT/Interest	Times	0.54	0.82	1.33
Total Debt/PBDIT	Times	18.37	11.23	4.97
Gross Current Assets (Days)	Days	432	520	292

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-May-2019	Cash Credit	Long Term	5.50	ACUITE B Issuer not co-operating*
	Packing Credit	Long Term	4.00	ACUITE B Issuer not co-operating*
	Letter of Credit	Short Term	2.50	ACUITE A4 Issuer not co-operating*
	Proposed Bank Facility	Long Term	7.00	ACUITE B Issuer not co-operating*
12-Mar-2018	Cash Credit	Long Term	5.50	ACUITE B/Stable (Downgraded)
	Packing Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	7.00	ACUITE B/Stable (Downgraded)
	Letter of Credit	Short Term	2.50	ACUITE A4 Stable (Reaffirmed)
16-Dec-2016	Cash Credit	Long Term	5.50	ACUITE B+ /Stable (Assigned)
	Secured Overdraft	Long Term	2.14	ACUITE B+ /Stable (Assigned)
	Packing Credit	Short Term	4.00	ACUITE A4 (Assigned)
	Proposed Cash Credit	Long Term	4.86	ACUITE B+ /Stable (Assigned)
	Letter of Credit	Short Term	2.50	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B- /Stable (Downgraded)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B- /Stable (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4 Stable (Reaffirmed)

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About Acuité Ratings & Research:

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