

Press Release

Brick and Byte Innovative Products Private Limited (BBIPPL)

06 April, 2018



Rating Downgraded

Total Bank Facilities Rated	Rs.11.33 crore
Long Term Rating	SMERA D (Downgraded from SMERA B+/Stable)
Short Term Rating	SMERA D (Downgraded from SMERA A4)

Rating Rationale

SMERA has downgraded the long term rating to '**SMERA D**' (read as SMERA D) from '**SMERA B+**' (read as SMERA B plus) and short term rating to '**SMERA D**' (read as SMERA D) from '**SMERA A4**' (read as SMERA A four) on the Rs.11.33 crore bank facilities of Brick and Byte Innovative Products Private Limited (BBIPPL).

The ratings have been downgraded on account of delays in servicing of debt obligations. The rating is further constrained due to the weak financial risk profile and liquidity.

Key rating drivers

Strengths

Long track record of operations and experienced Management

BBIPPL has been in operations since 2003 and is headed by Mr. Prashant Kamat who has around 30 years of experience in this line of business. Thus, BBIPPL benefits from its long existence it has been able to forge healthy relations with customers and suppliers.

Reputed clientele

BBIPPL caters to star clients like Honeywell, Emerson, Samsung, L&T technology services, HUL, TOI, and Crompton Greaves etc. The company has been dealing with Emerson from its inception. Additionally its suppliers are Tata Steel and Jindal Steel

Healthy Growth in Revenue

Bricks and Byte Innovative Products Private Limited (BBIPPL) recorded a growth of ~82.00 per cent for the period FY2013-FY2017. The revenue for FY2017 stood at Rs.25.47 crores as against Rs.17.63 crores in FY2016. Further, the company has booked revenue of Rs.44.00 crores from the period of April, 2017 to March, 2018.

Weaknesses

Delay in debt servicing

As discussed with the banker the Cash Credit limits were overdrawn by more than 30 days and there were instances of devolvement in Letter of Credits. Also, there are instances of delays in the repayment of term loans dues.

Declining Profitability Margins

BBIPPL's profitability margins exhibited a downward trend with EBITDA margin of 12.77 per cent in FY2017 as compared to 19.16 per cent in FY2016 on account of higher raw material costs. PAT margins also declined to 0.61 per cent in FY2017 as against 2.01 per cent in FY2016. The reason for PAT margins to go down was lower EBITDA, higher interest cost on account of additional OD facility availed by the company and tax expense.

Working capital intensive nature of operations

BBIPPL has weak working capital cycle marked by high Gross Current Asset (GCA) of 458 days in FY2017 compared to 646 days in FY2016. The GCA days are mainly dominated by high debtor days of 281 days in FY2017 compared to 337 days in FY2016 and inventory days of 174 days in FY2017 as compared to 333 days in FY2016. The average cash credit utilization for the past six months stood at ~100 percent.

Weak Financial Risk Profile

The financial risk profile of the company has declined marked by net worth of Rs. 10.38 crores as on 31 March 2017 as against Rs. 10.61 crores as on 31 March 2016. The gearing stood high at 1.55 times as on 31 March 2017 as against 1.10 times as on 31 March 2016. The total debt of Rs. 16.11 crores outstanding as on 31 March 2017 comprises Rs. 3.10 crores as unsecured loans from Directors and Rs. 11.94 crores as a working capital facility from the bank and Rs.1.08 crore as long term loan from the bank. The ICR stood at 1.97 times in FY2017 as against 2.42 times in FY2016. The net cash accruals of the firm declined to Rs. 1.74 crores in FY2017 as against Rs. 2.08 crores in FY2016. NCA/TD ratio stood at 0.11 times in FY2017 as against 0.18 times in FY2016.

Analytical Approach

SMERA has considered the standalone financial risk profile of Brick and Byte Innovative Products Private Limited

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

None

Any other information

"SMERA is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups"

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Service Entities-<https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
02-February-2018	Cash Credit	Long Term	7.75	SMERA B+ Issuer not co-operating*
	Term Loan	Long Term	1.58	SMERA B+ Issuer not co-operating*
	Bank Guarantee	Short Term	2.00	SMERA A4 Issuer not co-operating*
12-November-2016	Cash Credit	Long Term	7.75	SMERA B+/ Stable (Upgraded)
	Term Loan	Long Term	1.58	SMERA B+/ Stable (Upgraded)
	Bank Guarantee	Short Term	2.00	SMERA A4 (Reaffirmed)
24-August-2016	Cash Credit	Long Term	7.75	SMERA B/ Stable (Assigned)
	Term Loan	Long Term	1.58	SMERA B/ Stable (Assigned)
	Bank Guarantee	Short Term	2.00	SMERA 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	7.75	SMERA D (Downgraded from SMERA B+/Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.58	SMERA D (Downgraded from SMERA B+/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA D (Downgraded from SMERA A4)

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ABOUT SMERA

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