

Press Release

Brick and Byte Innovative Products Private Limited

June 06, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 11.33 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE B' (read as ACUITE B)** and short term rating to '**ACUITE A4' (read as ACUITE A four)** on the Rs. 11.33 crore bank facilities of Brick and Byte Innovative Products Private Limited. The outlook is '**Stable**'.

Acuite had downgraded the rating earlier to "ACUITE D" in its rationale dated 06th April 2018, based on the written feedback of the banker. However, the banker has subsequently revised its statement. Based on the latest information available from the banker, Acuite has reviewed and upgraded the long term rating to "ACUITE B/ Outlook: Stable" and short term rating to "ACUITE A4".

Mumbai based company Brick & Byte Innovative Products Private Limited (BBIPPL) and incorporated in the year 2003, is engaged in the manufacture of sheet metal fabrication, and includes Rapid Prototyping, Precision Manufacturing and Finishing Processes. It covers operations like CNC punching, bending, assembling, fabrication, powder coating, etc. 90% of its revenue is derived from manufacturing segment. The company offers a wide range of services that include: Industrial Design, Engineering Design, Tool Design, Prototyping, Styling, and CAD/CAM/CAE Analysis.

Key Rating Drivers

Strengths

• Reputed Clientele

BBIPPL caters to star clients like Honeywell, Emerson, Samsung, L&T technology services, HUL, TOI, Crompton Greaves amongst others. Additionally, it has been procuring raw materials from reputed suppliers like Tata Steel and Jindal Steel.

• Moderate Financial Risk Profile

The financial risk profile of the company stood more or less on similar level. The company has net worth of Rs. 11.41 crores as on 31 March 2018(P) as against Rs. 10.38 crores as on 31 March 2017. The gearing stood moderate at 1.72 times as on 31 March 2018 as against 1.55 times as on 31 March 2017. The total debt of Rs. 19.69 crores outstanding as on 31 March 2018 comprises Rs. 5.50 crores as unsecured loans from directors and Rs. 14.19 crores as a working capital facility from the bank. The ICR stood at moderate levels at 1.93 times in FY2018 (P) as against 1.97 times in FY2017.

• Declining EBITDA Margins; though on steady levels

BBIPPL's profitability margins exhibited a downward trend with EBITDA margin of 12.77 per cent in FY2017 as compared to 18.58 per cent in FY2016. In FY18 (P), the EBITDA margins have further declined to 10.09%. The decline was mainly on account of a major write-off made in the said Financial Year. An amount of Rs.3.67 crore was written off as trade discount. This event is considered as a onetime phenomenon and of non-recurring nature. The Profit after tax margins have improved to 1.16 percent in FY18 (P) as compared to 0.61 percent in FY17.

• Growth in Operating Revenues

BBIPPL has shown a recorded a steady improvement in revenues. The revenues of BBIPPL have almost tripled over a period of four years (FY15 to FY18). The company has booked revenue of Rs.45.30 crores for FY18 (P).

• Long track record of operations and experienced Management

BBIPPL has been in operations since 2003 and is headed by Mr. Prashant Kamat who possesses 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.

Weaknesses

• Stretched but improved working capital cycle

The working capital cycle has improved from 221 days in FY17 to 168 days in FY18. The Gross Current Assets (GCA) days have improved significantly from 458 days in FY17 to 162 days in FY18. The improvement is mainly with respect to the decline in debtor days (from 281 days in FY17 to 54 days in FY18) and creditor days (from 235 days in FY17 to 25 days in FY18). The company has implemented strict receipt terms from its customers in the form of collecting post-dated cheques to ensure timely receipts. On account of the same, the debtor days have gone down drastically and due to improved circulation of money into the organization system, it is able to repay off its creditors quickly. However, the average cash credit utilization for the past six months stood at ~100 percent.

Analytical Approach

Acuite has considered the standalone financials of BBIPPL

Outlook: Stable

Acuite believes that BBIPPL will maintain a stable outlook over the medium term owing to the extensive experience of the promoter. The outlook may be revised to "Positive" in case of significant improvement in profitability, inventory turnover and working capital management. Conversely, the outlook may be revised to "Negative" if the company registers significant decline in profitability as well as accruals and higher than expected debt funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	45.30	25.47	18.18
EBITDA	Rs. Cr.	4.57	3.25	3.38
PAT	Rs. Cr.	0.52	0.15	-0.43
EBITDA Margin	(%)	10.09	12.77	18.58
PAT Margin	(%)	1.16	0.61	-2.35
ROCE	(%)	10.06	9.28	3.81
Total Debt/Tangible Net Worth	Times	1.72	1.55	1.10
PBDIT/Interest	Times	1.93	1.97	2.42
Total Debt/PBDIT	Times	4.24	3.80	3.45
Gross Current Assets (Days)	Days	192	458	627

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

None

Any other information

Acuite 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.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.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
06-Apr-2018	Cash Credit	Long Term	7.75	ACUITE D
	Term Loan	Long Term	1.58	ACUITE D
	Bank Guarantee	Short Term	2.00	ACUITE D
12-Nov-2016	Cash Credit	Long Term	7.75	ACUITE B+ / Stable
	Term Loan	Long Term	1.58	ACUITE B+ / Stable
	Bank Guarantee	Short Term	2.00	ACUITE A4
24-Aug-2016	Cash Credit	Long Term	7.75	ACUITE B / Stable
	Term Loan	Long Term	1.58	ACUITE B / Stable
	Bank Guarantee	Short Term	2.00	ACUITE A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.58	ACUITE B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.75	ACUITE B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4

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About Acuité Ratings & Research:

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