

Press Release

Brahans Polymers Private Limited

October 05, 2017



Rating Upgraded

Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 6.50 crore bank facilities of Brahans Polymers Private Limited. The outlook is '**Stable**'.

The Maharashtra-based Brahans Polymers Private Limited (BPPL) was incorporated in 1998 by Mr. Tilakraj Balakrishna, Mr. Hedge, Mr. K.S. Bhandary and others. The company is engaged in the manufacturing of rubber products (moulded and extruded) and compounds used in the marine, automobile industries. The company has total capacity of 300 metric tons a year of which the current utilisation is 95 per cent.

Key Rating Drivers

Strengths

- **Experienced management**

BPPL was incorporated in 1998. The Directors, Mr.Tilakraj Balakrishna, Mr Hedge and others have more than two decades of experience in the rubber industry.

- **Improved profitability**

The operating margins (EBITDA) improved from 18.66 per cent in FY2016 to 21.46 per cent in FY2017 (Provisional) due to decline in power cost and improved margins from private players. SMERA believes that BPPL will sustain its operating margins on the back of completed capex to reduce power cost.

- **Geographical diversification**

The company exports its products to USA, Canada, United Kingdom, Spain and Singapore. Its clientele includes Grainger, IWI, Dexter, Manhattan International among others. Besides, the company also caters to various ports such as Goa Port Trust, Mumbai Port Trust and Cochin Port Trust.

Weaknesses

- **Small scale of operations**

The scale of operations is small with revenue of Rs.10.87 crore in FY2017 (Provisional) compared to Rs.9.98 crore in FY2016.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by networth of Rs.1.82 crore as on 31 March, 2017 (Provisional) as against Rs.0.002 crore as on 31 March, 2016. The gearing (debt to equity ratio) stood at 3.62 times as on 31 March, 2017 (Provisional). The total debt of Rs. 6.58 mainly consists of working capital borrowings and unsecured loans from promoters. The interest coverage ratio (ICR)

improved to 1.96 times in FY2017 (Provisional) compared to 1.54 times in FY2016. In FY2017, the net cash accruals to total debt (NCA/TD) stood at 0.15 times as against 0.06 times in FY2016.

• Working capital intensive operations

BPPL has working capital intensive operations marked by high gross current assets (GCA) of 420 days in FY2017 as against 483 days in FY2016. This is on account of high inventory holding of 238 days in FY2017 as against 249 days in FY2016 and high debtor days of 77 days in FY2017 as against 106 days in FY2016. The utilisation of bank facilities has been around 92 per cent.

• Susceptibility of profit margins to fluctuations in raw material prices

The prices of rubber fluctuate and hence profit margins are susceptible to volatility in raw material prices.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Outlook: Stable

SMERA believes that BPPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenue with improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability, elongation in the working capital cycle or financial risk profile.

About the Rated Entity - Key Financials

For FY2016, BPPL reported net profit of Rs. 0.25 crore on operating income of Rs. 9.98 crore, compared to net profit of Rs.0.14 crore on operating income of Rs. 8.15 crore in FY2015. As per provisional figures of FY2017, the company earned operating income of Rs.10.87 crore and net profit of Rs.0.64 crore. The tangible net worth stood at Rs.1.82 crore (Provisional) as on 31 March, 2017 as against negative Rs. 0.002 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Cr.)	Ratings/Outlook
08-Dec-2016	Cash Credit	Long Term	INR 3.5	SMERA B- / Stable
	Packing Credit	Short Term	INR 2	SMERA A4

	Bills Discounting	Short Term	INR 0.05	SMERA A4
	Bills Discounting	Short Term	INR 0.3	SMERA A4
	Bank Guarantee	Short Term	INR 0.65	SMERA 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.05	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.65	SMERA A4
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Leena Gupta Analyst - Rating Operations Tel: 022-67141172 leena.gupta@smera.in	

ABOUT SMERA

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