

Press Release

Brahans Polymers Private Limited

December 19, 2018



Rating Reaffirmed and Withdrawn

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs. 3.50 crore bank facilities of Brahans Polymers Private Limited (BPPL). The outlook is '**Stable**'.

Also, Acuité has reaffirmed the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 3.00 crore bank facilities of BPPL.

Further, Acuité has withdrawn the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 0.35 crore bank facilities of BPPL.

The Maharashtra-based, BPPL incorporated in 1998 by Mr. K.S. Bhandary, Mr. Tilakraj Balakrishna, Mrs. Divya Hedge, and others. The company is engaged in the manufacturing of rubber products (moulded and extruded) and compounds used in the marine, automotive and material handling industries. The company has total installed capacity of 300 metric tons per annum with average utilization of ~50 percent.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of BPPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

BPPL was incorporated in 1998, thus having an operational track record of two decades in rubber products industry. The promoters of the company have experience of over two decades in the same line of business. Hence, long track records of operations and vast experience of management has helped the company to develop healthy relationship with its customers and suppliers. Acuité believes that BPPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Geographical diversification**

The company exports its products to USA, Canada and Middle East. Its clientele includes Grainger, Gabriel India, L&T (Larsen & Toubro) and HCC (Hindustan Construction Company), among others. Besides, the company also caters to various ports such as Mumbai Port, Chennai Port, Calcutta Port, among others.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by improved net worth, gearing and debt protection metrics of the company. The net worth increased to Rs. 5.73 crore (including Rs. 5.03 crore of quasi equity) as on 31 March 2018 as against Rs. 1.62 crore (including Rs. 1.26 crore of quasi equity) as on 31 March 2017. Gearing (debt-equity) stood at 1.00 times as on 31 March 2018 and 4.64 times as on 31 March 2017. The total debt of Rs. 5.75 crore as on 31 March 2018 mainly comprises Rs. 4.84 crore of working capital facility, Rs. 0.84 crore of unsecured loans and Rs. 0.07 crore of long term debt. Interest Coverage Ratio (ICR) stood at 1.58 times for FY2018 as against 1.63 times for FY2017. TOL/TNW stood at 2.44 times as on 31 March 2018 as against 9.23 times as on 31 March 2017. Further, Debt to EBITDA stood at 3.00 times for FY2018 as against 4.01 times for FY2017.

- **Small Scale of operations and moderate profitability**

BPPL has small scale of operations marked by operating income of Rs.12.83 crore in FY2018 as against Rs.11.67 crore in FY2017. However, the company has reported operating revenue of Rs.10.50 crore from April 2018-November 2018. Acuité believes that the scale of operations will increase over the medium term. The operating margins stood modest at 14.65 percent in FY2018 as against 15.91 percent in FY2017. The PAT margins stood at 2.64 percent in FY2018 and 2.94 percent in FY2017.

- **Working capital intensive operations**

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 408 days for FY2018 as against 384 days for FY2017. This is mainly due to high inventory days of 223 for FY2018 as against 214 days for FY2017. The debtor days stood at 85 for FY2018 as against 82 days for FY2017. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- **Susceptibility of profit margins to fluctuations in raw material prices**

The prices of rubber and crude oil are fluctuating and hence, profit margins are susceptible to volatility in raw material prices.

Outlook: Stable

Acuité believes that BPPL will maintain a 'Stable' outlook and benefit over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	12.83	11.67	9.98
EBITDA	Rs. Cr.	1.88	1.86	1.86
PAT	Rs. Cr.	0.34	0.34	0.25
EBITDA Margin	(%)	14.65	15.91	18.66
PAT Margin	(%)	2.64	2.94	2.47
ROCE	(%)	14.66	15.89	17.93
Total Debt/Tangible Net Worth	Times	1.00	4.64	6.64
PBDIT/Interest	Times	1.58	1.63	1.54
Total Debt/PBDIT	Times	3.00	4.01	4.47
Gross Current Assets (Days)	Days	408	384	483

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
05-Oct-2017	Cash Credit	Long Term	3.50	ACUITE B / Stable (Upgraded from ACUITE B- / Stable)
	Packing Credit	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	0.05	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	0.30	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	0.65	ACUITE A4 (Reaffirmed)
08-Dec-2016	Cash Credit	Long Term	3.50	ACUITE B- / Stable (Assigned)
	Packing Credit	Short Term	2.00	ACUITE A4 (Assigned)
	Bills Discounting	Short Term	0.05	ACUITE A4 (Assigned)
	Bills Discounting	Short Term	0.30	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	0.65	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	3.50	ACUITE B / Stable (Reaffirmed)
PC/PCFC*	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.05#	ACUITE A4 (Withdrawn)
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	0.30#	ACUITE A4 (Withdrawn)

*Packing credit includes sublimit of 180 days FDBP/ FUDBP of Rs.0.30 crore.

#Total bank facilities rated doesn't include withdrawn amounts.

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About Acuité Ratings & Research:

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