

Press Release

Brahans Polymers Private Limited

November 15, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE B/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs. 5.50 crore bank facilities and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 3.50 crore bank facilities of Brahans Polymers Private Limited (BPPL). The outlook is '**Stable**'.

Brahans Polymers Private Limited is a Maharashtra-based company 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.

Analytical Approach

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

Key Rating Drivers:

Strengths

- **Experienced management and established track record of operations**

The company has an operational track record of over two decades in rubber products industry. The promoters of the company have an 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 ensuring repeat orders. 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, etc. Acuité believes that long relationship with their key customers has helped them to secure repeat orders.

Weaknesses

- **Working capital intensive nature of operations**

The company's working capital operations are highly intensive in nature marked by high Gross Current Asset (GCA) of 360 days as against 408 days. The GCA days are mainly dominated by high inventory days of 175 days as against 223 days. The company maintains sufficient inventory to meet the timely demand of its customers. This has increased its reliance on short term debt. The debtor days stood at 102 days for FY2019 as against 85 days for FY2018 due to delay in receipts from their customers. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

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

BPPL has modest scale of operations marked by operating income of Rs. 16.24 crore in FY2019 as against Rs. 12.83 crore in FY2018, marking a growth of 27 per cent in FY2019. The increase in revenue in FY2019 is on account of completion of one major contract from L & T (Larsen & Toubro) worth Rs.6 crore. The company has achieved revenues of Rs. 9.60 crore till Oct, 2019.

The operating margins stood modest at 13.29 percent in FY2019 as against 14.65 percent in FY2018. The PAT margins stood at 1.11 percent in FY2019 and 2.64 percent in FY2018. The fall in operating margin is due to increase in the cost of their main raw material, rubber which stood at around 56 per cent as against 48 per cent of revenues.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by low net worth, modest gearing and debt protection metrics. The net worth of the company stood low at Rs. 5.59 crore (including Rs. 4.71 crore of quasi equity) as on 31 March, 2019 as against Rs. 5.73 crore (including Rs. 5.03 crore of quasi equity) as on 31 March, 2018. Gearing (debt-equity) stood at 0.92 times as on 31 March, 2019 as against 1.00 times as on 31 March, 2018. The total debt of Rs. 5.12 crore as on 31 March, 2019 mainly comprises of Rs. 5.07 crore of working capital facility and Rs. 0.05 crore of long term debt. Moreover, the debt protection metrics is modest marked by interest coverage ratio of 1.81 times and DSCR of 1.71 times in FY2019. TOL/TNW stood at 2.91 times as on 31 March, 2019 as against 2.44 times as on 31 March, 2018. Further, Debt to EBITDA stood at 2.34 times for FY2019 as against 3 times for FY2018.

Rating Sensitivity

- Improvement in scale of operations
- Efficient working capital management

Material Covenants

None

Liquidity Profile

BPPL has adequate liquidity marked by modest net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 0.90 crore in FY19 to repay its maturing debt obligations of Rs.0.02 crore over the same period. However, the company's operations are working capital intensive marked by gross current asset (GCA) of 360 days in FY2019 as against 408 days in FY2018. This has led to significant reliance on working capital borrowings. The current ratio stood at 1.37 times as on March 31, 2019 and the fund-based limit remains utilised at 93 percent over the twelve months ended June, 2019. The company maintains unencumbered cash and bank balances of Rs.0.36 crore as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term

Outlook: Stable

Acuité believes that the company's outlook will remain stable over the medium term backed by 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	16.24	12.83	11.67
EBITDA	Rs. Cr.	2.16	1.88	1.86
PAT	Rs. Cr.	0.18	0.34	0.34
EBITDA Margin	(%)	13.29	14.65	15.91
PAT Margin	(%)	1.11	2.64	2.94
ROCE	(%)	13.10	14.66	15.89
Total Debt/Tangible Net Worth	Times	0.92	1.00	4.64
PBDIT/Interest	Times	1.81	1.58	1.63
Total Debt/PBDIT	Times	2.34	3.00	4.01
Gross Current Assets (Days)	Days	360	408	384

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
19-Dec -2018	Cash Credit	Long Term	3.50	ACUITE B/ Stable (Reaffirmed)
	PC/PCFC	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Letter of Credit/ Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	0.05	ACUITE A4 (Withdrawn)
	FBN/FBP/FBD/PSFC /FBE	Short Term	0.30	ACUITE A4 (Withdrawn)
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)
	Cash Credit	Long Term	3.50	ACUITE B- / Stable

08-Dec- 2016				(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	4.00	ACUITE B/ Stable (Reaffirmed)
Packing credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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