

Press Release

Birbal International Private Limited (BIPL)

14 October, 2017



Ratings Assigned

Total Bank Facilities Rated*	Rs.10.00 Crore
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.10.00 crore bank facilities of Birbal International Private Limited (BIPL).

Birbal International Private Limited (BIPL), established in 1995 is led by Directors, Mr. Surendra Gupta, Mrs. Sunita Gupta and Mr. Gokul Gupta. The Delhi-based company manufactures garments for women and kids. The company, a 100 percent export house, exports its products to the Middle East. The installed capacity stands at 1.30 lakh garments per month.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters and long track record of operations: BIPL, incorporated in 1995 is led by Mr. Surendra Gupta, Mrs. Sunita Gupta and Mr. Gokul Gupta who possess experience of more than two decades in the textile industry. The extensive experience has helped the company develop long term relations with suppliers and customers.

Reputed clients: The company caters to a reputed client base including Alshams va Alqmar Trading Co. Kuwait, Apparel LLC, Dubai, Sami Alnahdi General Trading Est., Arabia, BMA International FZE, Dubai among others.

Weaknesses:

Moderate financial risk profile: The moderate financial risk profile is marked by low networth of Rs.9.54 crore as on 31 March, 2017 (Provisional) compared to Rs.7.64 crore a year earlier. The net worth includes unsecured loans of Rs.2.81 crore from promoters which is subordinated to bank debt. SMERA has treated the same as quasi equity. Further, the gearing of the company stands moderate at 1.39 times as on 31 March, 2017 (Provisional) compared to 2.15 times a year earlier. The moderate gearing is on account of low net worth of Rs.9.54 crore as against total debt of Rs.13.26 crore in FY2016-17. Further, the total debt includes term loan of Rs.4.27 crore, unsecured loan of Rs.1.33 crore and working capital limit of ~ Rs.7.66 crore. The interest coverage of the company stands moderate at 2.64 times in FY2017 (Provisional) as against 2.04 times in the previous year. The net cash accrual by total debt (NCA/TD) stood at 0.11 times in FY2017 (Provisional) compared to 0.09 times in FY2016. The debt service coverage ratio stood at 1.02 times in FY2017 (Provisional) compared to 1.03 times a year earlier.

SMERA expects the company to continue its moderate risk profile in the medium term. Further, the company's ability to improve its net worth along with debt protection metrics will remain key credit monitorables.

Stretched working capital cycle: The working capital cycle is marked by high gross current asset (GCA) days of 189 in FY2016-17 (Provisional) as against 150 days in the preceding year. The high GCA days in FY2017 (Provisional) is mainly on account of high inventory and debtor days of 103 days and 57 days respectively.

Intense competition: The company operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits its bargaining power with customers.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

About the rated entity – Key Financials

For FY2017 (Provisional), the company reported profit after tax (PAT) of Rs.0.50 crore on operating income of Rs.29.43 crore compared to Rs.0.52 crore on operating income of Rs.41.77 crore in FY2016. The net worth stood at Rs.9.54 crore as on 31 March, 2017 (Provisional) as against Rs.7.46 crore a year earlier. The net worth of Rs.9.54 crore in FY2017 (Provisional) includes quasi equity of Rs.2.81 crore.

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

India Ratings revised the ratings of the company to non-cooperating category, with the following rationale on August 24, 2017: India Ratings and Research (Ind-Ra) has migrated Birbal International Private Limited's (BIPL) Long-Term Issuer Rating to the non-cooperating category. The issuer did not participate in the rating exercise despite continuous requests and follow-ups by the agency. Therefore, investors and other users are advised to take appropriate caution while using the rating. The rating will now appear as 'IND B+(ISSUER NOT COOPERATING)' on the agency's website.

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2018			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Packing Credit #	ST	7.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Packing Credit	ST	3.00	SMERA A4 (Assigned)	-	-	-	-	-	-

#Rs.7.00 crore of FDBP/FUDBP/FCBRD is the Sub Limit of PC/PCFC

#Rs.0.20 crore of Letter of Credit (Import/Inland)/ Buyer's Credit / Letter of Comfort is the Sub Limit of PC/PCFC

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Packing Credit #	N.A	N.A	N.A	7.00	SMERA A4 (Assigned)
Packing Credit	N.A	N.A	N.A	3.00	SMERA A4 (Assigned)

#Rs.7.00 crore of FDBP/FUDBP/FCBRD is the Sub Limit of PC/PCFC

#Rs.0.20 crore of Letter of Credit (Import/Inland)/ Buyer's Credit / Letter of Comfort is the Sub Limit of PC/PCFC

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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