

Press Release

BNT Innovations Private Limited

04 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.00 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned 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.11.00 crore bank facility of BNT Innovations Private Limited (BIPL). The outlook is **Stable**.

The Chennai-based BIPL incorporated in 1989 by Mr Bakshani and family is engaged in the manufacturing of knitted garments (for adults and kids) at Tirupur, Tamil Nadu. The company derives around 77 percent of its revenue from export and remaining 33 percent from domestic sales. The raw material i.e. cotton yarn is procured from local suppliers in Tirupur. Further, group companies BNT Connections Impex Private Limited and JHB Fashions are engaged in the similar line of business. The day-to-day operations are led by the Managing Director, Mr. Vadakkeveettيل Sethumadhavan.

List of key rating drivers and their detailed description

Strengths:

Established track record of operation and experienced management

BIPL has operational track record of around three decades in the readymade garment manufacturing industry leading to long standing relations with reputed customers and suppliers. The company exports around 77 percent of its sales to UK, USA and European countries catering to reputed brands including Japan Rags, Kaporal and Simons among others. The company also benefits from the extensive experience of the directors including Mr. Vadakkeveettيل Sethumadhavan, Mr. J. Thakur Bakshani and Mr. J. Haresh Bakshani who possess more than two decades of experience in the industry.

Weaknesses

Modest scale of operations

The scale of operations is modest with operating income of Rs. 15.97 crore for FY2017 as against Rs. 15.38 crore and Rs. 41.05 crore in FY2014-15. The decline of around 63 percent in revenue in FY2016 is due to the loss of a customer i.e. Landmark Group (Max), Dubai who contributed around 40 percent to revenue in FY2014-15. However, the company reported stagnant revenue during FY2017 and FY2016 and registered revenue of Rs. 11.00 crore (Provisional) from April, 2017 to November, 2017. Further, the company has unexecuted orders worth Rs. 4.0 crore expected to be executed by January, 2018.

Average financial risk profile

The company has average financial risk profile marked by tangible networth of Rs. 4.50 crore as on 31 March, 2017 as against Rs. 8.44 crore in the previous year. The decline in networth is mainly due to the net losses incurred to the tune of Rs. 3.94 crore for FY2017. The company had non-operative raw material (fabric) to the tune of Rs. 7.86 crore due to cancellation of orders by Landmark Group (Max), Dubai in FY2015-16. This was sold at Rs. 1.79 crore resulting in net losses in FY2016-17. The gearing stood at 2.04 times as on 31 March, 2017 as against 1.59 times in the previous year. However, the financial risk profile of the company is expected to improve going forward on account of repayment of short term borrowings and absence of major debt capex plan in the future.

Susceptibility of profitability to volatility in raw material prices and forex rates

The operations are susceptible to fluctuations in the raw material prices of cotton. Further, BIPL exports around 77 percent of its total sales which exposes its profitability to fluctuations in forex rates in the absence of adequate hedging mechanism.

Competitive and fragmented industry

The company operates in a highly competitive and fragmented readymade garment industry with the presence of several players in the domestic and overseas markets.

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

Outlook-Stable

SMERA believes that BIPL will maintain a stable outlook over the medium term on account of its established track record of operations and extensive experience of promoters in the textile industry. The outlook may be revised to 'Positive' in case the company achieves significant growth in revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or liquidity position due to higher than expected working capital requirement.

Applicable Criteria

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

About the Rated Entity –Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	20.72	15.38	41.05
EBITDA	Rs. Cr.	-0.96	1.37	2.62
PAT	Rs. Cr.	-3.94	-0.70	0.02
EBITDA Margin	(%)	-	8.89	6.39
PAT Margin	(%)	-	-	0.05
ROCE	(%)	-	-	16.24
Total Debt/Tangible Net Worth	Times	2.04	1.59	1.45
PBDIT/Interest	Times	-	1.21	1.49
Total Debt/PBDIT	Times	-	9.60	5.11
Gross Current Assets (Days)	Days	89	289	128

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years: Not applicable

***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	2.00	SMERA A4 (Assigned)
Bill Discounting	N.A	N.A	N.A	3.00	SMERA A4 (Assigned)
Working Capital Term Loan	N.A	N.A	N.A	5.90	SMERA B/Stable (Assigned)
Proposed Packing Credit	N.A	N.A	N.A	0.10	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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