

Press Release

B R Elastics India Private Limited

July 09, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.06 crore
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.16.06 crore bank facilities of B R Elastics India Private Limited (BREI). The outlook is '**Stable**'.

BREI was established in 1995 as a family concern and later was registered as a private limited company in 2008. BREI is engaged in manufacture of knitted, woven (with and without stripes), jacard designs (with prints) and elastics made of polyster, lycra (spandex), nylon, rubber, cotton yarn.

Key Rating Drivers

Strengths

- **Established presence in the elastics industry and experienced management**

BREI, established in 1995 by Mr. Balasubramanian, is engaged in manufacture of elastics. It has an established market presence in the elastics industry. The management of the company has more than two decades of experienced in the industry. The company has established healthy customer relations with reputed customers such as R & R textiles Enrich Exports, among others.

Weaknesses

- **Working capital intensive operations**

BREI's operations are working capital intensive marked by high Gross Current Asset (GCA) of 287 days in FY2017 compared to 280 days in FY2016. The GCA days are mainly dominated by high debtor days of 165 days in FY2017 compared to 67 days in FY2016. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Competitive and fragmented industry impacting revenue:**

BREI operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting revenue and margins. The company's revenue has declined to Rs.39.29 crore in FY2017 as against Rs.40.05 crore in FY2016. Further in FY2018, the company has registered revenue of Rs.31.43 crore (Provisional).

Analytical Approach

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

Outlook: Stable

Acuite believes that BREI will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to positive in case the company receives higher than expected revenues and profit margins. The outlook may be revised to 'Negative' in case of lower than expected profit margins and higher than expected debt funded working capital requirements and capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	39.29	40.05	32.64
EBITDA	Rs. Cr.	4.76	5.01	4.79
PAT	Rs. Cr.	0.17	0.08	0.13
EBITDA Margin	(%)	12.11	12.51	14.67
PAT Margin	(%)	0.43	0.21	0.39
ROCE	(%)	12.52	12.84	22.49
Total Debt/Tangible Net Worth	Times	1.54	1.65	1.65
PBDIT/Interest	Times	1.43	1.44	1.55
Total Debt/PBDIT	Times	3.48	3.49	3.60
Gross Current Assets (Days)	Days	287	280	300

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

CRISIL vide its rationale dated 26 September, 2017 stated 'Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of B. R. Elastics India Private Limited. This restricts CRISIL's ability to take a forward looking view on the credit quality of the entity. CRISIL believes that the information available for B. R. Elastics India Private Limited is consistent with 'Scenario 1' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BB' rating category or lower. Based on the last available information, CRISIL has reaffirmed the rating at 'CRISIL B/Stable'.

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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.06	ACUITE B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Salome Farren Analyst - Rating Operations Tel: 022-67141164 salome.farren@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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