

Press Release

B R Elastics India Private Limited

August 08, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed 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 (BRPL). The outlook is '**Stable**'.

BRPL was established in 1995 as a family concern and was later registered as a private limited company in 2008. BRPL is engaged in manufacture of knitted, woven (with and without stripes), jacard designs (with prints) and elastics made of polyster, lycra (spandex), nylon, rubber and cotton yarn. BRPL is based in Tirupur, Tamil Nadu with an installed capacity of 50 lakhs metres in looms (including jacard and plain) and 30 lakhs metres in Knitted elastics.

Analytical Approach

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

Key Rating Drivers

Strengths

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

BRPL has an established market presence in the elastics industry, since it was established in the year 1995 by Mr. N. Balasubramaniam. Currently, the company is being managed by his son Mr. Balasubramaniam Rathinavelu who holds more than two decades of experienced in the industry. Over the years, the company has established healthy customer relations with reputed customers such as R & R textiles and Enrich Exports, among others.

Weaknesses

- **Working capital intensive operations**

The operations of BRPL are working capital intensive as reflected in high Gross Current Asset (GCA) of 350 days in FY2019 (Provisional) and 419 days in FY2018. This is majorly on account of high Inventory days that stood at 262 days in FY2019 (Provisional) as against 338 days in FY2018. The inventory holding period is high as the company generally keeps raw material of a huge variety of colors and thickness. The receivables period stood at 85 days in FY2019 (Provisional) as against 106 days in FY2018. Payables period stood at 154 days in FY2019 (Provisional) as compared to 193 days in FY2018. However, the working capital limit of BRPL is utilised at 100 per cent on an average for the last 6 months ended June 2019.

- **Average financial risk profile**

BRPL has average financial risk profile marked by net worth of Rs.11.20 crore as on March 31, 2019 (Provisional) as compared to Rs.11.00 crore as on March 31, 2018. The gearing stood at 1.88 times as on 31 March, 2019 (Provisional) as compared to 1.55 times as on March 31, 2018. Total debt of Rs.21.04 crore as on March 31, 2019 (Provisional) includes term loans of bank of Rs.0.87 crore, Rs.5.00 crore unsecured loans from promoters and working capital borrowing of Rs.15.17 crore. The interest coverage ratio (ICR) stood moderate at 1.30 times in FY2019 (Provisional) as against 1.38 times in FY2018. The Debt Service Coverage Ratio (DSCR) declined to 1.03 times in FY2019 (Provisional) as against 1.28 times in FY2018.

Liquidity position

BRPL has stretched liquidity marked by declining net cash accruals to maturing debt obligations. BRPL generated cash accruals of Rs.1.16-1.50 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.0.30-1.01 crore during the same period. The cash accruals of BRPL are estimated to remain around Rs. 2.6-1.7 crore during 2019-21, while its repayment obligations are estimated to be around Rs.0.40 crore per annum. BRPL's working capital cycle is stretched which has led to higher reliance on working capital borrowings, the cash credit limit in BRPL remains fully utilised for the last 6 months' period ended June 2019. BRPL maintains unencumbered cash and bank balances of Rs.0.47 crore as on March 31, 2019 (Provisional). The current ratio of BRPL stood moderate at 1.46 times as on March 31, 2019 (Provisional). BRPL is not likely to incur any major capex to be funded by external borrowing.

Outlook: Stable

Acuité believes that BRPL 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.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	37.06	30.36	39.29
EBITDA	Rs. Cr.	5.09	4.62	4.76
PAT	Rs. Cr.	0.20	0.18	0.17
EBITDA Margin	(%)	13.74	15.20	12.11
PAT Margin	(%)	0.54	0.59	0.43
ROCE	(%)	13.80	12.69	12.52
Total Debt/Tangible Net Worth	Times	1.88	1.55	1.54
PBDIT/Interest	Times	1.30	1.38	1.43
Total Debt/PBDIT	Times	4.13	3.68	3.48
Gross Current Assets (Days)	Days	350	419	287

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

Not applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
09-Jul-2018	Cash Credit	Long Term	INR 15	ACUITE B / Stable (Assigned)
	Letter of Credit	Short Term	INR 1	ACUITE A4 (Assigned)
	Term Loan	Long Term	INR 0.06	ACUITE B / Stable (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	15.00	ACUITE B / Stable (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.06	ACUITE B / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Sushmita Murai Analyst - Rating Operations Tel: 022-49294033 sushmita.murai@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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