

Press Release

B R Elastics India Private Limited

October 19, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B**' (read as **ACUITE B**) and the 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. The outlook is '**Stable**'.

The rating reaffirmation draws comfort on account of a long track record of operations and modest scale of operations with healthy profitability margins. The rating, however, continues to remain constrained at the same level on account of working capital-intensive operations driven majorly by high inventory levels, average financial risk profile and stretched liquidity with full utilization of the working capital bank limits.

About the Company

Tamil-Nadu based, BRPL was incorporated in 1995 as a family concern and was registered as a private limited company in 2008. The company is engaged in manufacturing of knitted, woven (with and without stripes) and jacquard designs (with prints) elastics made of polyester, lycra (spandex), nylon, rubber, cotton yarn, etc. The directors viz. Mr. Nachi Muthu Mudaliar Balasubramaniam, Mr. Balasubramaniam Viswanathan, Mr. Balasubramaniam Nadanasabapathy, Mr. Balasubramaniam Bharath, Mr. Krishnakumar Balasubramaniam and Mr. Balasubramaniam Rathinavelu have over a decade of experience in this industry.

Analytical Approach

Acuite has taken the standalone view of the 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, promoted by Mr. Nachi Muthu Mudaliar Balasubramaniam, Mr. Balasubramaniam Viswanathan, Mr. Balasubramaniam Nadanasabapathy, Mr. Balasubramaniam Bharath, Mr. Krishnakumar Balasubramaniam and Mr. Balasubramaniam Rathinavelu have over a decade of experience in the said line of business. The extensive experience coupled with a long track record of operations has enabled the company to forge healthy relationships with customers and suppliers which translated to improvement in revenue growth from Rs.37.06 Cr in FY2019 to Rs.37.29 Cr in FY2020 (Prov). However, due to the global outbreak of COVID-19 and the subsequent announcement of lockdown, the operations of the company have remained impacted as observed from the revenue of Rs.17 Cr for 6MFY2021. Currently, the company has an unexecuted order book of Rs.8 Cr – Rs.9 Cr from April, 2020 to September, 2020 which is to be executed by November, 2020. The company deals with reputed clients such as R & R textiles, SCM Garments Private Limited, Best Knit Wear, to name a few.

Acuite believes that the business is expected to benefit from its established presence in the aforementioned industry and the directors' demonstrated ability; however, operations are expected to remain impacted in FY2021 due to the outbreak of COVID – 19.

Weaknesses

- Average financial risk profile**

BRPL's financial risk profile is average marked by moderate gearing (debt to equity ratio), deteriorating

total outside liabilities to total net worth (TOL/TNW), and moderate debt protection metrics. The gearing stood moderate at 1.28 times as on 31st March, 2020 (Prov.) against 1.42 times as on 31st March, 2019. TOL/TNW stood at 2.55 times as on 31st March, 2020 (Prov.) against 2.64 times as on 31st March, 2019. Tangible net worth of the company stood modest at Rs.11.34 Cr as on 31st March, 2020 (Prov.) against Rs.11.18 Cr as on 31st March, 2019.

Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood moderate at 1.27 times and 0.07 times, respectively in FY2020 (Prov.). DSCR stood at 1.24 times in FY2020 (Prov.) against 1.26 times in FY2019.

Acuite believes that the financial risk profile of the company is expected to remain average on account of modest networth coupled with low net cash accruals against moderate debt repayment obligations and moderate debt protection metrics.

• Working capital intensive operations

BRPL's operations have remained intensive marked by Gross Current Asset days (GCA) of 334 days in FY2020 (Prov.) against 335 days in FY2019. This is majorly driven by high inventory days. The inventory days stood at 230 days in FY2020 (Prov.) against 263 days in FY2019; most raw materials are procured locally and inventory policy ranges from 3-6 months to cater to spot orders. The debtor's days stood at 105 days in FY2020 (Prov.) against 84 days in FY2019 which is corresponding to normal terms with customers. The creditors days stood at 138 days in FY2020 (Prov.) against 156 days in FY2019. The working capital limits are fully utilized as on September, 2020. Acuite believes that the working capital operations are expected to remain high with respect to the inventory cycle and which will remain key rating sensitivity factor.

Rating Sensitivities

- Any stretch in working capital operations leading to the deterioration of its financial risk profile and liquidity.
- Growth in revenue with the sustainability of the profitability margins.

Material Covenants

None

Liquidity: Stretched

BRPL has stretched liquidity as reflected by working capital intensive operations evident from Gross Current Assets (GCA) days of 334 days in FY2020 (Prov.) against 335 days in FY2019. The company reported low cash accruals of Rs.0.97 Cr against moderate long-term repaying obligations. It is expected to generate cash accruals in the range of Rs.0.89 Cr – Rs.1.20 Cr over the medium term, against high repayment obligations. The working capital limits are fully utilized as on September, 2020. The company has unencumbered cash and bank balances of Rs.1.38 Cr in FY2020 (Prov.). The current ratio stood at 1.24 times in FY2020 (Prov.). Acuite believes that the liquidity of the company is expected to remain stretched over the medium term on account of working capital-intensive operations and low net cash accruals against high repayment obligations.

Outlook: Stable

Acuite 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	37.29	37.06
PAT	Rs. Cr.	0.17	0.17
PAT Margin	(%)	0.45	0.47
Total Debt/Tangible Net Worth	Times	1.28	1.42
PBDIT/Interest	Times	1.27	1.28

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

CRISIL, vide its press release dated Mar 09, 2020 had denoted the rating of B R Elastics India Private Limited as 'CRISIL B/Stable; ISSUER NOT CO-OPERATING' on account of lack of adequate information required for monitoring the ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Aug-2019	Cash Credit	Long Term	15.00	ACUITE B/ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.06	ACUITE B/ Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	1.00	ACUITE A4 (Reaffirmed)
09-Jul-2018	Cash Credit	Long Term	15.00	ACUITE B/ Stable (Assigned)
	Term Loan	Long Term	0.06	ACUITE B/ Stable (Assigned)
	Letter of Credit	Short Term	1.00	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	13.30*(Reduced from Rs.15.00 Cr)	ACUITE B/ Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.76	ACUITE B/ Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Reaffirmed)

*Cash Credit includes sublimit of PCL to the extent of Rs.3.00 crore.

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President – Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Sagarikaa Mukherjee Analyst - Rating Operations Tel: 022-49294033 sagarikaa.mukherjee@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,374 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité, Acuité's rating scale and its definitions.