

Press Release

B R Elastics India Private Limited

January 14, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	1.00		ACUITE A4 Reaffirmed
Bank Ratings Loan	15.06	ACUITE B Stable Reaffirmed	
Total	16.06	-	-

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'.

Rationale for rating reaffirmed

The rating reaffirmation takes into account its experienced management and Growth in operating income. These strengths are partially offset by its moderate financial risk profile, Stretched Working capital operation and highly competitive industry.

About the Company

B R Elastics India Private Limited (BRPL) was incorporated in 1995 as a family concern and was registered as a private limited company in 2008. It is a Tamil-Nadu based company promoted by Mr. Nachi Muthu Mudaliar Balasubramaniam, Mr. Balasubramaniam Viswanathan, Mr. Balasubramaniam Nadanasabapathy, Mr. Balasubramaniam Bharath, Mr. Krishnakumar Balasubramaniam and Mr. Balasubramaniam Rathinavelu. The promoters have an experience of over a decade in the said line of business. 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 amongst others.

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

B R Elastics India Private Limited (BRPL) was incorporated in 1995 as a family concern and was registered as a private limited company in 2008. The promoters 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 the said line of business. Experience of the promoters has helped the company in adding new clientele every year and maintaining healthy relationship with the existing customers. Acuite believes that promoters' experience and healthy relationship with customers is expected to support its business risk profile over the medium term.

Steady growth in operating income

The company has achieved revenues of Rs. 44.26 Cr in FY2021 as compared to revenues of Rs.37.72 Cr in FY2020 and Rs. 37.06 Cr in FY2018. The revenue has been growing at a compounded annual growth rate (CAGR) of 6.01 per cent over the period FY2019- FY2021. Operating margin has been volatile over the past three years, on account of fluctuations in material expenses. Major raw materials include nylon, rubber, cotton, yarn, polyester etc. Since, raw material costs account for ~60 per cent of total production cost, even a slight variation in rates of raw materials drastically impacts the profitability. The operating margin of the company have declined drastically which stood at 1.57 per cent in FY2021 as compared to 12.47 per cent in the previous year. However, the PAT margins improved to 0.52 per cent as on FY2021 as against 0.44 per cent as on FY2020. Acuite Believes that fluctuation in Raw materials price will play a key role in operating income and profitability over the medium term.

Weaknesses

Moderate financial risk profile

BRPL's financial risk profile is moderate marked by moderate gearing (debt to equity ratio), total outside liabilities to total net worth (TOL/TNW), and moderate debt protection metrics. The gearing stood moderate at 1.83 times as on March 31, 2021 (Prov.) against 1.60 times as on previous year end. TOL/TNW stood at 2.48 times in as on March 31, 2021 (Prov.) against 2.94 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.9.94 crore as on March 31, 2021 (Prov.) against Rs.9.72 crore as on March 31, 2020. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood at 1.51 times and 0.05 times, respectively in FY2021 (Prov.). DSCR stood at 1.51 times as on March 31, 2021 (Prov.) against 1.23 times as on March 31, 2020. Acuite believes that the financial risk profile of the company is expected to remain moderate backed by low net cash accruals of about Rs.0.99 crore for as on March 31, 2021 (Prov.) against moderate debt repayment obligations and moderate debt protection metrics. Acuite believes that the financial risk profile of the firm is expected to remain moderate on account high long term borrowings and moderate profitability.

Working capital intensive operations

BRPL's working capital operations have remained intensive marked by Gross Current Asset days (GCA) of 247 days as on March 31, 2021 (Prov.) against 327 days March 31, 2020. The debtor's days stood at 79 days as on March 31, 2021 (Prov.) against 102 days March 31, 2020. The inventory days stood at 117 days as on March 31, 2021(Prov.) against 221 days as on March 31, 2020; most raw materials are locally procured and inventory policy is 3 months to 6 months to cater to spot orders. The creditor's days stood at 79 days in as on March 31, 2021(Prov.) (against 127 days as on March 31, 2020. The working capital limits are ~75.00 per cent utilized as on November, 2021. 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.

Highly competitive and fragmented industry

BRPL's is exposed to competition from several organized and non-organized players operating in industry due to limited entry barriers and less capital intensive nature of the industry.

ESG Factors Relevant for Rating

Not Applicable

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 Position: Stretched

BRPL has stretched liquidity as reflected by working capital intensive operations evident from GCA days of 247 days in FY2021 (Prov). The company reported low cash accruals of Rs.0.99 crore against moderate long term repaying obligations. It is expected to generate cash accruals in the range of Rs.1.00 Cr – Rs.2.25 Cr over the medium term, against moderate repayment obligations. The working capital limits utilization is 75.00 Per cent as on November, 2021. The company has unencumbered cash and bank balances of Rs.3.25 crore in FY2021 (Prov.). The current ratio stood at 2.03 times in FY2021 (Prov.). Acuité believes that liquidity profile is expected to remain stretched on account of working capital-intensive operations and low net cash accruals against moderate repayment obligations for the medium term.

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.

Other Factors affecting Rating

Not Applicable.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	44.26	37.72
PAT	Rs. Cr.	0.23	0.17
PAT Margin	(%)	0.52	0.44
Total Debt/Tangible Net Worth	Times	1.83	1.60
PBDIT/Interest	Times	1.51	1.26

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

Crisil Ratings vide its press release dated June 17, 2021 had denoted the rating of B R Elastics India Private limited as "ISSUER NOT CO-OPERATING" on account of lack of adequate information required for monitoring of ratings.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Oct 2020	Cash Credit	Long Term	13.30	ACUITE B Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	1.76	ACUITE B Stable (Reaffirmed)
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)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)
	Term Loan	Long Term	0.06	ACUITE B Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE B Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	2.30	ACUITE B Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.76	ACUITE B Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 Reaffirmed

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About Acuité Ratings & Research

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