

Press Release

B R Elastics India Private Limited

March 22, 2023

Rating Reaffirmed



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

Rating Rationale

The rating reaffirmation takes into account its experienced management . These strengths are partially offset by its moderate financial risk profile, Working capital intensive operations 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 polyster, 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. Acuité believes that promoters' experience and healthy relationship with customers is expected to support its business risk profile over the medium term.

Weaknesses

- **Moderate Financial risk profile**

The financial risk profile of the company has remained moderate with low net worth and below - average debt protection metrics and high gearing. The net worth of the company stood at Rs.9.71 Cr and Rs.9.82 Cr as on March 31, 2022 and 2021 respectively. The gearing of the company stood at 2.10 times as on March 31, 2022 as against 1.87 times as on March 31, 2021. BRPL'S debt protection metrics is below average marked by- Interest coverage ratio and debt service coverage ratio stood at 1.55 times and 1.04 times as on March 31, 2022 respectively as against 1.44 times and 1.44 times as on March 31, 2021 respectively. TOL/TNW stood at 2.73 times and 2.82 times as on March 31, 2022 and 2021 respectively. The debt to EBITDA of the company stood at 8.40 times as on March 31, 2022 as against 6.49 times as on March 31, 2021. Acuité believes that the financial risk profile of the company is expected to remain moderate.

- **Intensive working capital cycle**

The company has an intensive working capital cycle marked by Gross current assets (GCA) days at 276 days as on March 31, 2022 as against 272 days as on March 31, 2021. Inventory days stood at 130 days as on March 31, 2022 as against 102 days as on March 31, 2021. The debtors day stood at 127 days as on March 31, 2022 as against 149 days as on March 31, 2021. Further, the average bank limit utilization in the last six months ended February , 23 remained at ~72 percent for fund based and the payable period stood at 89 days as on March 31, 2022 as against 123 days as on March 31, 2021 respectively

- **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.

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 276 days in FY2022. The net cash accruals stood low at Rs.0.75 Cr in FY2022 as against the repayment of Rs.0.67 Cr for the same period and expected to generate cash accruals in the range of Rs.0.72-0.88 Cr. Against Rs. 0.89Cr to 1.13 Cr repayment obligations over the medium term. Unencumbered cash and bank balances stood at Rs. 1.59 Cr as on March 31, 2022. The current ratio of the company stood at 1.48 times as on March 31, 2022. 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

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	42.27	44.63
PAT	Rs. Cr.	0.04	0.10
PAT Margin	(%)	0.09	0.23
Total Debt/Tangible Net Worth	Times	2.10	1.87
PBDIT/Interest	Times	1.55	1.44

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

India Ratings vide its press release dated 06/02/2023 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Jan 2022	Dropline Overdraft	Long Term	2.30	ACUITE B Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE B Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.76	ACUITE B Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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