

Press Release

Bico Twitex Private Limited

D-U-N-S® Number: 67-789-1411



December 21, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.40 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (read as **ACUITE B plus**) to the Rs. 6.40 crore bank facilities of Bico Twitex Private Limited (BTPL). The outlook is '**Stable**'.

Established in 1988, BTPL is engaged in manufacturing of polyester yarn and sewing thread. The day to day operations are managed by its Managing Director, Mr. Nishith Gulati along with other Directors who have experience of over two decades in the textile industry. The company has a manufacturing unit in Kin (Surat).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

BTPL commenced operations from 1988. The company is promoted by its Managing Director, Mr. Nishith Gulati along with other Directors, Mrs. Vimal Gulati and Mrs. Amita Nishith Gulati who possess experience of more than two decades in textile industry. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers. Acuité believes that BTPL will continue to benefit from its experienced management and established relationships with customers.

- **Increasing scale of operations and stable profitability**

The revenues of the company have increased from Rs.13.53 crore in FY2016 to Rs.14.04 crore in FY2017. Further, it has increased to Rs.15.69 crore in FY2018. This is majorly because of increase in production capacity. The operating margins of the company stood at 3.61 percent in FY2018, 4.11 percent in FY2017 and 4.16 percent in FY2016.

- **Moderate working capital operations**

BTPL has moderate working capital operations marked by Gross Current Assets (GCA) of 129 days in FY2018 as against 82 days in FY2017. The company maintains inventory of around 40 days on an average and extends clean credit of around 60 days to its customers, resulting in high GCA days. The inventory and debtors levels stood at 81 days and 47 days in FY2018 as against 49 days and 53 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at ~70 percent in the last six months ending 30 November, 2018. Acuité believes that the working capital requirements will continue to remain moderate over the medium term on account of inventory levels to be maintained and credit period to be provided to the debtors.

Weaknesses

- **Average financial risk profile**

The financial risk profile is average marked by low net worth, moderate debt protection measures and high gearing. The net worth of the company is low at Rs.4.02 crore as on 31 March, 2018 as against Rs.3.81 crore as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.65 times in FY2018 as against 1.64 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.06 times as on 31 March, 2018 as against 0.08 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.57 times for FY2018 as against 1.50 times in FY2017. The gearing of the company stood high at 0.94 times as on March 31, 2018 as against 0.59 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 5.55 times as on 31 March, 2018 as against 3.64 times as on 31 March, 2017.

Outlook: Stable

Acuité believes that BTPL will maintain 'Stable' outlook over the medium term from the industry experience of its Directors. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in BTPL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.69	14.04	13.53
EBITDA	Rs. Cr.	0.57	0.58	0.56
PAT	Rs. Cr.	0.07	0.05	0.06
EBITDA Margin	(%)	3.61	4.17	4.16
PAT Margin	(%)	0.43	0.37	0.42
ROCE	(%)	7.24	7.84	12.59
Total Debt/Tangible Net Worth	Times	0.94	0.59	0.53
PBDIT/Interest	Times	1.65	1.64	1.62
Total Debt/PBDIT	Times	5.55	3.64	4.35
Gross Current Assets (Days)	Days	129	108	108

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

None

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.70	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.31	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.37	ACUITE B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.02	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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