

Press Release

Bhuvaneswari Cotspin India Private Limited

January 10, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 73.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 73.00 crore bank facilities of Bhuvaneswari Cotspin India Private Limited (BCPL). The outlook is '**Stable**'.

The Tamil Nadu based, BCPL is a private limited company engaged in manufacture of cotton and blended yarn and fabric. The company is promoted by Mr. Loganathan. He is supported by second generation, Mr. Paramesh Kumar and Mr. Subramaniam. The company caters to various segments of the textile industry.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone business and financial risk profile of BCPL.

Key Rating Drivers

Strengths

- **Established track record and experienced promoters**

BCPL was established in 2003 by, Mr. Loganathan. He is supported by second generation, Mr. Paramesh Kumar and Mr. Subramaniam. Mr. Loganathan possess industry experience of over three decades in textile industry, while the other promoters have more than a decade of experience in the said industry. The company has been able to establish long term relations with suppliers and customers through this company and its other group company's - Parvathy Dyeing and Bhuvaneswari Tex. The company is also able to derive cost benefit from its group companies.

- **Moderate financial risk profile albeit a healthy net worth base**

BCPL's financial risk profile is moderate marked by healthy net worth, moderate debt protection metrics and coverage indicators of the company. The tangible net worth of the company stood at Rs.43.57 crore as on 31 March, 2018 as against Rs.38.74 crore as on 31 March, 2017. The gearing stood at 1.50times as on 31 March, 2018 as against 1.91 times in the previous year. The total debt of Rs.65.45 crore as on 31 March 2018 mainly comprises of term loan of Rs.29.95 crore, working capital borrowing of Rs.32.79 crore and unsecured loan of Rs.2.71 crore. The coverage indicators are healthy marked by Interest Coverage Ratio (ICR) which stood at 3.54 times for FY2018 as against 2.46 times for FY2017. Debt Service Coverage Ratio (DSCR) stood moderate at 1.41 times for FY2018 as against 1.89 times for FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.66 times as on 31 March, 2018 as against 2.26 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on 31 March, 2018 as against 0.17 times as on 31 March, 2017. Going forward, Acuité expects the financial risk profile to improve marginally in the absence of major debt funded capex plans and backed by moderate net cash accruals.

Weaknesses

- **Moderate Working capital nature of operations**

BCPL's operates in a moderate working capital nature of operations marked by high Gross Current Asset (GCA) of 150 days in FY2018 compared to 161 days in FY2017. The GCA days are mainly dominated by high debtor days of 105 in FY2018 compared to 114 in FY2017. The average cash credit utilisation for six months ending November 2018 stood at ~70 per cent. Acuité believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Intense competition in textile industry**

BCPL is exposed to intense competition in the highly fragmented textile industry. The company also faces stiff competition from organised and unorganised players in domestic market and other nations that offer lower production costs ease of doing business and cheap labour.

Outlook: Stable

Acuité believes that BCPL 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 registers higher-than-expected growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	165.37	166.25	105.86
EBITDA	Rs. Cr.	16.25	20.41	14.91
PAT	Rs. Cr.	4.83	4.98	1.54
EBITDA Margin	(%)	9.83	12.28	14.09
PAT Margin	(%)	2.92	3.00	1.46
ROCE	(%)	8.90	12.62	17.85
Total Debt/Tangible Net Worth	Times	1.50	1.91	1.96
PBDIT/Interest	Times	3.54	2.46	2.27
Total Debt/PBDIT	Times	3.97	3.57	4.28
Gross Current Assets (Days)	Days	150	161	183

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

Not Applicable

Any other information

Not Applicable

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	22.00	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3
Overdraft	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB- / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB- / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- / Stable

ILC/FLC/Buyers Credit Rs. 22.00 crore interchangeable sub-limit. ILC/FLC Rs. 11.00 crore interchangeable sub-limits.

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About Acuité Ratings & Research:

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