

Press Release

Bhuvaneswari Cotspin India Private Limited

D-U-N-S® Number: 67-548-2722



March 19, 2020

Rating Reaffirmed

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 reaffirmed a 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 above mentioned bank facilities of Rs. 73.00 crores for Bhuvaneswari Cotspin India Private Limited(BCPL). The outlook is '**Stable**'.

BCPL is a Tamil Nadu based private limited company incorporated in 2003. The company is engaged in manufacturing of cotton and blended yarn and fabric. The company is promoted by Mr. Loganathan. The company is also supported by second generation, Mr. Paramesh Kumar and Mr. Subramaniam. BCPL 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 track record of over a decade since in 2003. The company is promoted by Mr. Loganathan and his sons Mr. Paramesh Kumar and Mr. Subramaniam. The company promoters have over a decade experience in the industry. BCPL has been able to establish longstanding relations with existing customers and suppliers through this company and its other group company's Parvathy Dyeing and Bhuvaneswari Tex. Established presence has helped the company to develop healthy relationships with its customers in getting recurring orders and regular flow of raw materials at better price from its suppliers. The group has registered a Y-o-Y growth in revenues of 12.32 percent to Rs. 185.74 crores in FY2019 as against Rs.165.37 crores in FY2018. The company is growing at CAGR of 20.61 percent since 2016 and registered revenue of Rs. 201.35 crores for last eleven months ending February 2020. Acuité believes that BCPL will continue to benefit from its experienced management and established relationships with customers and suppliers.

• Moderate financial risk profile

The company has moderate financial risk profile marked by net worth of Rs.50.93 crore as on 31 March 2019 as against Rs.46.27 crore as on 31 March 2018. The net worth includes unsecured loans of Rs. 2.92 crores in FY2019 and Rs. 2.71 crores in FY2018. The gearing (debt-to-equity) of the company stood at 1.34 times as in 31 March 2019 as against 1.36 times as on 31 March 2018. The total debt of Rs.68.16 crore as on 31 March 2019 mainly comprises of Rs.26.91 crore of long term debt and Rs.41.25 crore of short term debt. Interest Coverage Ratio (ICR) stood at 2.90 times for FY2019 as against 3.54 times for FY2018. DSCR stood at 1.33 times for FY2019 as against 1.41 times for FY2018. Further, TOL/TNW (Total outside Liabilities/Tangible Net worth) ratio stood at 1.49 times as on 31 March 2019 as against 1.50 times as on 31 March 2018. Debt-EBITDA stood at 3.90 times for FY2019 as against 3.81 times for FY2018. Acuité believes that the financial risk profile of the company is expected to remain

moderate over the medium term.

Weaknesses

- **Moderately working capital intensive nature of operations**

The company has moderate working capital operations marked by Gross Current Asset (GCA) days of 166 days for FY2019 as against 150 days for FY2018. The inventory holding period stood at 53 days for FY2019 as against 44 days for FY2018. The debtor days stood at 89 days for FY2019 as against 105 days for FY2018. Thus resulted in moderate reliance on bank limits which stood utilised at 61.55 percent for the past six months ended February 2020. Acuité believes that the company's ability to efficiently manage its working capital requirements will remain the key rating sensitivity.

- **Highly fragmented textile industry and volatility of raw materials prices**

The Indian textile industry is highly fragmented and competitive marked by presence of large number of organised and unorganised players. This restricts pricing flexibility and bargaining power with its customers. The margins are fluctuating due to volatility in pricing of raw materials i.e. polyester which is dependent on crude oil prices. However, the company long established presence in the industry and ability to pass on volatility in raw material to its customers reduces the risk to certain extent.

Rating Sensitivities

- Improving scale of operations
- Working capital management
- Sustaining existing financial risk and liquidity profile

Liquidity Position: Adequate

Liquidity profile of BCPL is adequate reflected by sufficient net cash accruals against its maturing debt obligations. The company generated cash accruals in the range of Rs.11.00-12.50 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.6.80-9.50 crore over the same period. The GCA days of the company stood at 166 days for FY2019 as against 150 days for FY2018. The average bank limit utilization stood at 61.55 percent for the past six months ended February 2020. The company maintains unencumbered cash and bank balances of Rs.0.27 crore as on March 31, 2019. The current ratio of the company stands modest at 1.42 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accrual against debt repayments.

Outlook: Stable

Acuité believes 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 healthy 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 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	185.74	165.37
PAT	Rs. Cr.	4.44	4.83
PAT Margin	(%)	2.39	2.92
Total Debt/Tangible Net Worth	Times	1.34	1.36
PBDIT/Interest	Times	2.90	3.54

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading entities-<https://www.acuite.in/view-rating-criteria-6.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Jan-2019	Cash Credit	Long Term	22.00*	ACUITE BBB- / Stable (Assigned)
	Bank guarantee	Short Term	5.00	ACUITE A3 (Assigned)
	Overdraft	Long Term	18.00	ACUITE BBB- / Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	25.00	ACUITE BBB- / Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	3.00	ACUITE BBB- / Stable (Assigned)

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

*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 (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	18.00#	ACUITE BBB- / Stable (Reaffirmed)
Term Loan	January 2015	Not Applicable	March 2022	13.00	ACUITE BBB- / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB-/Stable (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB-/Stable (Reaffirmed)

* ILC/FLC/Buyers Credit Rs. 22.00 crore interchangeable sub-limit. WHRL limits of Rs.10.00 crores.

#ILC/FLC Rs. 11.00 crore interchangeable sub-limits.

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Rupesh Patel Analyst - Rating Operations Tel: 02249294044 rupesh.patel@acuite.in	

About Acuité Ratings & Research:

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