Young Brand Apparel Private Limited

December 15, 2023

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	39.05	CARE BBB (RWD)	Placed on 'Rating watch with developing implications'
Long-term/short-term bank facilities	65.00	CARE BBB/CARE A3+ (RWD)	Placed on 'Rating watch with developing implications'
Short-term bank facilities	77.00	CARE A3+ (RWD)	Placed on 'Rating watch with developing implications'

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Young Brand Apparel Private Limited (YBAPL) have been placed on 'Credit watch with developing implications' on account of the announcement made by its holding company, Bannari Amman Spinning Mills Limited (BASML; rated 'CARE BBB (RWD)/CARE A3 (RWD)') regarding the transfer/disinvestment/sale of BASML's equity shareholding in YBAPL. CARE Ratings Limited (CARE Ratings) will continue to monitor the developments and review the ratings when greater clarity emerges of the impact of the change in shareholding on the management and operations of the company.

The ratings assigned to the bank facilities of YBAPL continue to derive strength from the experienced promoters, the comfortable capital structure, and the reputed customer profile.

The ratings are, however, constrained by the concentrated customer base, the moderate debt protection metrics, the exposure of profitability to the volatility in raw material prices and forex rates, and the presence in a highly competitive and fragmented industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the scale of operations to over ₹350 crore with a diversified customer profile.
- The ability to improve profitability, with the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin at more than 12% on a sustained basis.

Negative factors

- Any further large debt-funded capex leading to a deterioration of the capital structure, with the overall gearing above 1.5x on a sustained basis.
- Any adverse impact on profitability due to the volatile raw material prices.

Analytical approach: Standalone

Detailed description of the key rating drivers

Key strengths

Comfortable capital structure

The capital structure of YBAPL stood comfortable, with the overall gearing at 0.66x as on March 31, 2023, improved from 1.28x as on March 31, 2022, with lower working capital borrowings at the end of the year. The company had completed the capex by the end of September 2022, towards the addition of around 600 stitching machines at the cost of ₹30.0 crore, funded by a term loan of ₹24.0 crore and the remaining by internal accruals.

Stable growth in income; improved profitability in FY23

YBAPL is involved in the manufacture and sale of undergarments, both domestic as well as exports, with exports contributing to 81% (PY: 95%) of the total income in FY23 (FY refers to the period from April 1 to March 31).. Owing to the stable demand, the

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

total operating income (TOI) has increased to ₹328.37 crore in FY23 from ₹302.26. The profitability improved, with a PBILDT margin of 9.66% in FY23 as against 7.07% in FY22, due to better sales realisation. The net profit nearly doubled to ₹14.26 crore in FY23 from ₹7.73 crore in FY22. During H1FY24 (Prov), the company reported a profit-after-tax (PAT) of ₹7.89 crore on a total income of ₹149.92 crore.

Vast promoter experience in textile industry

YBAPL is part of the Coimbatore-based Bannari Amman Group of companies, which has presence in textiles, automobile dealership, sugar, distilleries, power, and education. SV Arumugam, Managing Director, holds a bachelor's degree in science and is a qualified chartered accountant. He has around three decades of experience in the textile industry, especially in planning, procurement, execution, and management as part of the Bannari Amman Group. As on March 31, 2023, BASML holds 51.33% of shareholding, Jacob Industries (USA) LLC holds 24.33% stake, and the balance 24.33% stake is held by Intimark Holdings S.de.R.Lde.C.V (Mexico).

Key weaknesses

Reputed customer profile, however, concentrated revenue stream

YBAPL enjoys marketing support through its other promoters such as Jacob Industries and the Intimark group. The company supplies undergarments to reputed players such as Jockey International, American Eagle, Aditya Birla Fashion (Van Heusen, Domestic), etc, who are associated with the company for over 10 years. The company had added new clients in recent years; however, the revenue is concentrated, with the top five customers contributing to 92% (PY: 90%) in FY23.

Moderate debt protection metrics

The protection metrics has also stood comfortable, with the interest coverage ratio (ICR) at 3.18x in FY23 against 2.99x in FY22. The total debt (TD)/gross cash accruals (GCA) had improved from 6.98x as on March 31, 2022, to 3.27x as on March 31, 2023, which was supported by healthy cash accruals during FY23.

Exposure to volatility in raw material prices and forex rates

The prices of cotton fabric, the key raw material, are dependent on the prices of cotton and yarn, which are governed by various factors, such as the areas under cultivation, monsoon, export quota by the government, the international demand-supply situation, etc. The cotton textile industry is inherently prone to volatility in the prices of cotton and yarn. YBAPL, being not vertically integrated, is highly prone to the risk of variations in the prices of cotton and fabrics. All the exports are in US Dollar denomination and the forex rates have been fluctuating over the past few years. The company hedges only around 75% of its receivables through forward contracts.

Liquidity: Adequate

The liquidity is adequate, marked by sufficient accruals of ₹19.34 crore in FY23 against repayment obligations of ₹7.92 crore in FY24 along with a comfortable cash balance of ₹5.37 crore (PY: ₹6.98 crore) as on March 31, 2023. The working capital cycle stood moderate at 96 days in FY23 (PY: 99 days). The company extends a credit period of 30-45 days to its customers while enjoying 45 days of credit period with its suppliers. YBAPL has fund-based limits of ₹82 crore and non-fund-based limits of ₹60 crore. The average utilisation of the same stood at 38.75% and 64.87%, respectively, for the last 12 months ended June 30, 2023.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Cotton Textile
Manufacturing Companies

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Textiles	Textiles and apparels	Garments and apparels

YBAPL was incorporated on December 11, 2006, as a joint venture (JV) between Bannari Amman Spinning Mills Limited (BASML; rated 'CARE BBB; Stable/CARE A3) and Brandot International Limited with 50-50 shareholding. During December 2017, YBAPL became a subsidiary of BASML, which at present, holds 51.33% of the stake in YBAPL. YBAPL is involved in the manufacture and sale of undergarments for men and women through its manufacturing facilities at Kanchipuram, Tamil Nadu. Exports accounted for 81% (PY: 95%) of the income for FY23.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	302.26	328.37	149.92
PBILDT	21.37	31.75	16.65
PAT	7.73	14.27	7.89
Overall gearing (times)	1.28	0.66	NA
Interest coverage (times)	2.99	3.18	4.09

A: Audited; UA: Unaudited; NA: Not available. Note: The above results are the latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term loan		-	-	June 2029	39.05	CARE BBB (RWD)
Fund-based - LT/ ST-EPC/PSC		-	-	-	65.00	CARE BBB / CARE A3+ (RWD)
Fund-based - ST-EPC/PSC		-	-	-	17.00	CARE A3+ (RWD)
Non-fund-based - ST-Letter of credit		-	-	-	60.00	CARE A3+ (RWD)

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term loan	LT	39.05	CARE BBB (RWD)	1)CARE BBB; Stable (16-Aug-23)	1)CARE BBB; Stable (26-Aug-22)	1)CARE BBB; Stable (05-Aug-21)	1)CARE BBB; Stable (29-Jan-21) 2)CARE BBB; Stable (24-Sep-20)
2	Fund-based - LT/ ST-EPC/PSC	LT/ST*	65.00	CARE BBB / CARE A3+ (RWD)	1)CARE BBB; Stable / CARE A3+ (16-Aug-23)	1)CARE BBB; Stable / CARE A3+ (26-Aug-22)	1)CARE BBB; Stable / CARE A3+ (05-Aug-21)	1)CARE BBB; Stable / CARE A3+ (29-Jan-21) 2)CARE BBB; Stable / CARE A3+ (24-Sep-20)
3	Non-fund-based - ST-Letter of credit	ST	60.00	CARE A3+ (RWD)	1)CARE A3+ (16-Aug-23)	1)CARE A3+ (26-Aug-22)	1)CARE A3+ (05-Aug-21)	1)CARE A3+ (29-Jan-21) 2)CARE A3+ (24-Sep-20)
4	Unsupported rating-Unsupported rating (LT/ST)	LT/ST*	-	-	-	-	-	1)Withdrawn (24-Sep-20)
5	Fund-based - ST-EPC/PSC	ST	17.00	CARE A3+ (RWD)	1)CARE A3+ (16-Aug-23)	1)CARE A3+ (26-Aug-22)	1)CARE A3+ (05-Aug-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple
2	Fund-based - LT/ ST-EPC/PSC	Simple
3	Fund-based - ST-EPC/PSC	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact Us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Sandeep P Director **CARE Ratings Limited** Phone: 914428501002 E-mail: sandeep.prem@careedge.in Naveen S Assistant Director **CARE Ratings Limited** Phone: 914224502305 E-mail: naveen.kumar@careedge.in Ragavilashini Muralikrishnan Analyst **CARE Ratings Limited** E-mail: Ragavilashini.M@careedge.in

About us:

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