

Brandworks Technologies Private Limited

December 31, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	10.50	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	53.00	CARE BB; Stable / CARE A4	Assigned
Short Term Bank Facilities	6.50	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Brandworks Technologies Private Limited are constrained by moderate albeit growing scale of operations, leveraged capital structure, moderate debt coverage indicators and stretched liquidity position. The ratings are further constrained by working capital intensive nature of operations, moderate customer and supplier concentration risk.

The ratings, however, derived strength from experienced & qualified promoters and healthy profit margins.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations marked by Total Operating Income (TOI) of exceeding Rs. 300 crores on a sustained basis.
- Improvement in capital structure marked by overall gearing at below unity level on a sustained basis.
- Improvement in the liquidity position marked by current ratio exceeding 1.33x on a sustained basis.

Negative factors

- Substantial deterioration in Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin below 5% on a sustained basis.
- Substantial elongation in working capital cycle marked by working capital cycle exceeding 75 days.
- Deterioration in the debt coverage indicators marked by interest coverage ratio below 1.80x on sustained basis

Analytical approach: Standalone

Outlook: Stable

The "stable" outlook on the long-term ratings reflects CARE Ratings belief that entity will continue to benefit from its experienced promoters with established track record of operations in the industry and with established relationship with customer and supplier base.

Detailed description of key rating drivers:

Key weaknesses

Moderate albeit growing scale of operations

The overall scale of operations of BTPL remained moderate as marked by its TOI remained in the range of Rs.34.19 crore to Rs. 179.68 crore during FY21 to FY24. However, the same has exhibited an increasing trend over the past four years and grew substantially at a CAGR rate of 73.86% for the period FY21-FY24. TOI grew by 70.33% from Rs.105.49 crore in FY23 to Rs. 179.68 crore in FY24. This growth primarily attributed due to the acquisition of new customers and the addition in the product ranges. Further, the company has also increased its production capacities which led to increase in the production on y-o-y basis. During H1FY25, the company has achieved revenue of Rs. 122 crore. The management expects its revenue to grow exceed Rs.300 crore for FY25 on the back of increase in the orders from existing customers along with orders received for new product i.e. Sound Box used across the payment banking services. Further, tangible network base also stood relatively small at Rs. 24.58 crore as on March 31, 2024, and Rs. 27.63 crores as on September 30, 2024, which limits its financial flexibility to a great extent.

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

Leveraged capital structure and moderate debt coverage indicators

The capital structure of the company stood leveraged due to its high dependence on working capital borrowings to support its working capital requirements coupled with low networth base. Although, the capital structure has improved significantly in FY24 as marked by overall gearing of 1.62 times as on March 31, 2024, as against 3.41 times as on March 31, 2023. However, the same significantly deteriorated to 3.24 times as on September 30, 2024, due to increase in the debt level primarily in the form of working capital limits to meet funding requirement of its growing scale of operations.

The debt coverage indicators remained moderate marked by Total Debt to Gross Cash Accruals stood at 3.51 times in FY24, (vis-à-vis 5.34 times in FY23) owing to relatively lower in GCA levels. However, the interest coverage ratio improved to 4.45 times in FY24 from 3.13 times in FY23, due to significant increase in the absolute PBILDT levels. The interest coverage ratio, however, declined significantly to 2.42 times during H1FY25. CARE Ratings expects its capital structure continue to remain leveraged on account of enhancement in the working capital limits during the year along with addition in the term loan for the upcoming capex to be incurred during FY25. The debt coverage indicators are likely to slightly improve during FY25 on the back of expected increase in the absolute PBILDT level.

Working capital intensive nature of operations

The overall operations of the company remained working capital intensive marked by higher gross current assets period of 153 days in FY24 as BTPL operates with a significant focus on working capital, primarily allocating funds towards inventory, which is procured based on monthly purchase orders (PO). The inventory period remained relatively high while the same has slightly improved to 61 days in FY24 as compared to 64 days in FY23. As the lead time is relatively higher due to dependence on the imports, the must keep the required amount of raw material inventory to fulfil the continuous requirements from its customers across various product ranges. While the collection period stood meagre at 17 days in FY24 as against 9 days in FY23 as the company extends a credit period up to 30 days to the reputed customers, reflecting the competitive dynamics within its industry. Further, the funds were also blocked in the margin money deposits kept with lenders against the working capital limits availed by the company. Moreover, the company has to provide advances to its foreign suppliers before shipments leading to increased working capital requirements. On account of the given reasons the utilization of its fund based working capital limits stood high at 80-90% during past 12 months ended Aug-24.

Customer and Supplier Concentration Risk

Although, BTPL has a diversified portfolio of products across hardware and mobile accessories segment; the customer base for the company remained concentrated with top 10 customers contributed to over 79% of the total sales in FY24 (vis-à-vis 86% in FY23). Further, BTPL imports majority of the raw material from China. The top 10 suppliers contributed to ~56% of the raw material consumed in FY24 (vis-à-vis ~84% in FY23) thereby leading to moderate supplier concentration risk.

Key strengths

Experienced promoter group

The company is promoted by Mr. Kunal Hundia and Mrs. Nikita Kumawat. As co-founder and Managing Director of BTPL, Mrs. Kumawat oversees the company's operations. Mr. Kunal Hundia, with nearly two decades of industry experience, serves as the Director of the company having more than two decades of experience through its association with other companies engaged in the similar business activities. The directors are supported by a skilled team, who look after the day-to-day operations of the company.

Healthy profitability margins with y-o-y improvement in the same

The profit margins of the company remained healthy marked by return on capital employed remained in the range of 19.81% to 39.92% during FY21 to FY24. The PBILDT margin stood at 10.14% in FY24 (vis-à-vis 6.48% in FY23), the same has significantly improved due to enhanced economies of scale leading to proportionate reduction in the fixed and other variable costs during the year. Further, the said improvement was also attributable due to reduction in the raw material consumption cost led by increase in the high value products viz. True Wireless Stereo (TWS), smartwatches etc. Similarly, the profit after tax (PAT) margin has also improved from 2.59% in FY23 to 5.46% in FY24, which is in line with the improvement in the PBILDT margin. The absolute gross cash accruals have also increased significantly to Rs. 11.31 crore in FY24 as against of Rs.3.75 crore in FY23. However, during H1FY25, the PBILDT margin has moderated to 6.87% with PAT margin to 2.50%. Hence, ability of the company to sustain its profit margins remains key monitorable.

Liquidity: Stretched

The company has availed cash credit and bill-discounting facilities which it utilizes for fulfilling its working capital requirement of business, the utilization for which remained between 80-90% for the past 12 months ended Aug-2024. The free cash & equivalents stood at Rs. 0.03 crore as on March 31, 2024 (vis-à-vis Rs.0.15 crore as on March 31, 2023). The current ratio remained weak at 1.06 times as on March 31, 2024, as against 0.99 times as on March 31, 2023. Further, the cash flow from Operations (CFO) turned negative of Rs. 11.52 crore during FY24 (vis-à-vis positive Rs. 4.57 crore in FY23) on account of unfavourable working capital changes. The gross cash accruals expected to be sufficient as against the debt repayment obligation of Rs. 4.25 crore and Rs. 5.25 crore in FY25 & FY26 respectively.

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

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information Technology	Information Technology	IT - Hardware	Computers Hardware & Equipments

Incorporated in 2017, Brandworks Technologies Private Limited is engaged in manufacturing of mobile accessories and electronic products divided into four different categories including Power (Power Banks, Chargers, Cables), Home Audio (Sound bar and mini sound bar), Artificial Intelligence of Things (NFC, Dash Camera) and Personal audio (wireless earbuds, wireless neckbands). The company manufactures its products for other brands from its manufacturing facility located in Palghar, Maharashtra.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	105.49	179.68	122.19
PBILDT	6.84	18.15	8.39
PAT	2.73	9.81	3.05
Overall gearing (times)	3.41	1.62	3.24
Interest coverage (times)	3.13	4.45	2.42

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	Nov-2028	10.50	CARE BB; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	50.00	CARE BB; Stable / CARE A4
Fund-based - LT/ ST-Working Capital Demand loan		-	-	-	3.00	CARE BB; Stable / CARE A4
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	6.50	CARE A4

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	10.50	CARE BB; Stable				
2	Fund-based - LT/ ST-Cash Credit	LT/ST	50.00	CARE BB; Stable / CARE A4				
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	6.50	CARE A4				
4	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST	3.00	CARE BB; Stable / CARE A4				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based - LT/ ST-Working Capital Demand loan	Simple
4	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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About us:

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