

Libra International Limited

October 26, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	39.45	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	2.55	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	42.00 (₹ Forty-Two Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Libra International Limited (LIL) to monitor the rating(s) vide e-mail communications/ letters dated October 20, 2022, October 19, 2022, October 18, 2022, etc. among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on Libra International Limited bank facilities will now be denoted as **CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating).

The rating has been revised on account of non-availability of requisite information due to non-cooperation by Libra International Limited with CARE Ratings Ltd.'s efforts to undertake a review of the rating outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the ratings takes into account the constraints relating to company's modest though growing scale of operations, moderate though declining profitability margins, leveraged capital structure and weak debt coverage indicators and elongated operating cycle. Further, the rating continues to remain constrained by susceptibility of margins to fluctuations in the prices of raw materials, foreign exchange fluctuation risk and presence in highly competitive and fragmented polyurethane industry. The ratings, however, continue to draw comfort from experienced directors coupled with long track record of operations, established sales & marketing network with established brand presence.

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest though growing scale of operations

The company's scale of operations stood modest as marked by total operating income of Rs. 114.46 and gross cash accruals of Rs. 2.83 crore respectively in FY22 (Prov.), as against Rs. 75.57 crore and Rs. 2.18 crore respectively in FY21. The improvement in scale of operations is on account of higher intake from its existing customers coupled with expansion of its distributor-network on PAN India basis. Nevertheless, modest scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the scale of operation is growing continuously. For the

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

period FY18-FY22, LIL's total operating income grew from Rs.59.83 crore to Rs.114.46 crore reflecting a compounded annual growth rate (CAGR) of 13.85%.

Moderate though declining profitability margins

The profitability margin of the company as marked by PBILDT and PAT margin decline though remain moderate at 5.40% and 1.15% during FY22 as against 7.60% and 1.43% during FY21. The decline in the margins is on account of incremental raw material price which the company was not able to pass on to the customers unreservedly.

Leveraged capital structure and weak debt coverage indicators

As on March 31, 2022 (Prov.), the capital structure of the company stood leveraged as on the past four balance sheet dates ending March 31, '19-'22 on account of high debt levels against moderate net worth base. Overall gearing ratio stood at 2.82x as on March 31, 2022 as against 2.37x as on March 31, 2021. The marginal deterioration was mainly on account of increased reliance on external borrowings to fund the incremental working capital requirements of company.

Further, on account of high debt levels coupled with low GCA levels, the debt coverage indicators of the company stood weak as marked by interest coverage ratio and total debt to GCA of 1.97x and 16.56x respectively for FY22 (prov.) as against 1.77x and 17.12x respectively for FY21.

Elongated operating cycle

The operations of the company stood elongated marked by operating cycle of 117 days for FY22 as against 148 days for FY21. The elongation in operating cycle is on account of high inventory holding period. Owing to large product portfolio (different type of models, sizes, colour, etc.), the company is required to maintain adequate inventory at each processing stage for smooth running of its production processes and to ensure prompt delivery to its customers resulting in an average inventory holding period of around 73 days for FY22. The company normally offers credit period of around 1-2 months to its customers resulting in the average collection period of around 58 days for FY22. The company receives a credit period of around a month from its suppliers resulting in average creditor's period of 15 days for FY22. The working capital borrowings of the company remained 90% utilized during the past 12 months ending September ending 2022.

Susceptibility of margins to fluctuation in the prices of raw material

Chemicals such as polyol, toluene di-isocyanate (TDI), etc. are the major raw materials required for the production. Since the basic raw materials are petrochemical derivatives, LIL is exposed to the risk of volatility in the prices of crude oil/natural gas. Thus, margins are vulnerable to fluctuation in raw material cost. Though, the company tries to pass on the price volatility to the end users, any adverse fluctuations in the prices may put pressure on the profitability of the company. Thus, the profitability of the company is based on the ability of the company to absorb the increase in raw material prices.

Foreign exchange fluctuation risk

LIL meets ~60% in FY22 (PY: 30% in FY21) of its procurement through imports from countries such as China, Singapore, Japan, Korea, Hong Kong, etc. However, LIL primarily sells its finished products in domestic market. With initial outlay in foreign currency and inflows in domestic currency, the company is exposed to volatility in foreign exchange rates. Further, the company does not hedge its foreign currency exposure through forward contracts. Nevertheless, profitability margins are exposed to volatility in foreign exchange. Moreover, any change in government policies, either domestic or international is likely to affect the company's revenues. Earnings are also susceptible to strict regulatory policies relating to tariff barriers (custom duty), non-tariffs barriers (restriction on the quality of imports), anti-dumping duties, international freight rates and port charges.

Presence in highly competitive and fragmented polyurethane industry

The polyurethane industry is dominated by players operating in the small and medium-scale sector, resulting in high fragmentation and intense competition. These players mainly cater to regional demand and enjoy the benefits of lower cost in

terms of proximity to customers and raw material suppliers. Further, due to low product differentiation and value addition, the industry is highly competitive with price being the key differentiating factor.

Key rating strengths***Experienced directors coupled with long track record of operations***

LIL is promoted by Mr. Pankaj Jain, Mr. Prateek Jain, Mr. Prashaant Jain and Mr. Vijaykumar Gulati. Mr. Pankaj Jain is graduate by qualification and has accumulated experience of nearly four decades in this business through his association with this entity and looks after the overall operations of the company. He is supported by his two sons namely, Mr. Prateek Jain and Mr. Prashaant Jain who are postgraduates by qualification and holds experience of around two decades and looks after the production & purchase department and sales & marketing department respectively. Other director: Mr. Vijaykumar Gulati (retired IAS officer) holds experience of nearly five decades of experience through his association with this entity and in individual capacity. Earlier, he was one of the directors of "Gujarat Alkalies and Chemicals Limited". The company is having a considerable track record in this business which has resulted in long term relationships with both suppliers and customers.

Established sales & marketing network with established brand presence

LIL was incorporated in 1981 and hence has a long track record of around four decades in the industry. Due to longstanding presence in the industry, the company has an established sales & marketing network, consisting of more than 65 marketing personnel, own 12 sales depo and 110 distributors/dealers spread all over India who are catering to nearly 2600 retail outlets. Established sales & marketing network aids the company in better market penetration and reaching the customers which further establishes the brand image. Apart from that, the company also manufactures and sells under private labels for Pepperfry and Flipkart through their E-commerce portals. Apart from that, the company is also selling its products through other E-commerce portals such as Amazon, Paytm, etc.

Due to its established brand presence in the market, the company is able to receive various orders from Canteen Stores Department (CSD), various public sector undertakings & government hospitals on regular basis. The company has been associated with them for more than a decade. Considering satisfactory product quality, LIL has managed to get repeat orders from these clients which gives them a slight competitive edge over other players in the market.

Liquidity: Stretched

The liquidity position of the company remains stretched characterized by tightly matched accruals vis-à-vis repayment obligations as evident from expected GCA of Rs.3.50 crore as on March 31, 2023 against repayment obligations of Rs.3.00 crore in same year. Further, the working capital limits are almost 90% utilized for the past 12 month's period ending September 30, 2022. The company has low cash & bank balances which stood at Rs.0.41 crore as on March 31, 2022.

Analytical approach: Standalone**Applicable criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company

Libra International Limited (LIL) was incorporated in March, 1981 as a public limited company (closely held). The company is currently promoted by Mr. Pankaj Jain, Mr. Prateek Jain, Mr. Prashaant Jain and Mr. Vijaykumar Gulati. The company is

engaged into the manufacturing of PU foams, mattresses and allied products such as pillows, cushions, bed sheets, etc. The company has two manufacturing facility each based at Sikandrabad, Uttar Pradesh and Ahmedabad, Gujarat respectively with a total installed capacity of manufacturing 9000 metric ton per annum of PU Foams and 1,20,000 pieces of mattresses per annum as on March 31, 2021. Further, the company has opened a new plant in Wada (Maharashtra).

The company sells its product under its own brand name "Libra".

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (UA)	6MFY23 (Prov.)
Total operating income	75.57	114.46	NA
PBILDT	5.75	6.18	NA
PAT	1.08	1.32	NA
Overall gearing (times)	2.37	2.82	NA
Interest coverage (times)	1.77	1.97	NA

A: Audited; UA: Unaudited; Prov: Provisional; NA: Not Available

*Refer to the period from April 01, 2022 to September 30, 2022

Status of non-cooperation with previous CRA: CRISIL has moved the ratings assigned to the bank facilities of Libra International Limited in Issuer not cooperating category wide press release dated December 24, 2021.

Any other information: Not Available

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

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

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	22.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	June, 2029	17.45	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	2.55	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	17.45	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (05-Aug-21)	-	-
2	Fund-based - LT-Cash Credit	LT	22.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (05-Aug-21)	-	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST*	2.55	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (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 various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Bank lender details for this company

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

Note on 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.

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About us:

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