

Bansal Yarns Private Limited

June 27, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*) and withdrawn
Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) and withdrawn
Total Bank Facilities	0.00 (₹ Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of CARE B; Stable/ CARE A4: ISSUER NOT COOPERATING [Single B; Outlook: Stable/A Four; ISSUER NOT COOPERATING] assigned to the bank facilities of Bansal Yarns Private Limited (BYPL) with immediate effect. The ratings factor in the constraints relating to modest scale of operations with low profitability margins and leveraged capital structure and weak debt coverage indicators. The ratings are further constrained by highly competitive and fragmented nature of industry and elongated operating cycle. The ratings, however, continue to take comfort from experienced management team along with long track record of company operations.

The above action has been taken at the request of Bansal Yarns Private Limited and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE Ratings Ltd.

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations with low profitability margins: The total operating income of the company moderated from Rs.40.62 crore in FY20 to Rs.8.53 crore in FY21 due to low orders received from existing customers. The profitability margins stood low marked by PBILD margin of 4.86% in FY21 and PAT margin of 1.43% in FY21. However, the PBILD margin improve from 2.74% in FY20 to 4.86% in FY21 mainly due to decrease in the cost of traded goods sold.

Leveraged capital structure and weak debt coverage indicators: The capital structure of the company stood leveraged as marked by debt equity ratio and overall gearing ratio stood leveraged at 0.09x and 0.38x in FY21 from 0.02x and 0.38x in FY20 on account of increase in debt level. The interest coverage ratio moderated from 4.68x in FY20 to 1.95x in FY21 due to high interest expenses and low PBILD in absolute terms. Moreover, the total debt to GCA ratio moderated from 1.95x for FY20 to 20.96x for FY21 due to higher total debt outstanding against the tangible net worth.

Highly competitive and fragmented nature of industry: Cotton yarn business in India is highly fragmented with presence of many small and medium scale units. Due to high degree of fragmentation, small players hold very low bargaining power against both its customers as well as its suppliers resulting in such companies operating at low profit margins. Further, the yarn prices are regulated by demand-supply market position, which in turn limits the bargaining power of the entities.

Elongated operating cycle: Operating cycle of the company stood elongated to 459 days in FY21 on account of increase in collection period and inventory period.

Key Rating Strengths

Experienced management team along with long track record of company operations: The company commenced operations in 2008. BYPL is currently being managed by Mr. Bachan Lal Bansal and Mr. Ajay Bansal. Mr. Bachan Lal Bansal and Mr. Ajay Bansal have work experience of around Five decades and three decades respectively through their association with BYPL, group concerns and other family run business. The directors have adequate acumen about various aspects of business which is likely to benefit BYPL in the long run.

Liquidity: Adequate

The current ratio of BYPL stood low at 1.81x, as on March 31, 2021, while the quick ratio stood at 1.76x. However, the cash credit limit availed by the company remained ~80% utilized for the twelve-month period ended March-2022.

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

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](#)
[Policy on Withdrawal of Ratings](#)
[Cotton Textile](#)
[Wholesale Trading](#)

About the Company

Bansal Yarns Private Limited (BYPL), based in Panipat (Haryana), was incorporated in June 2008 as a private limited company. The company is currently being managed by Mr. Bachan Lal Bansal and Mr. Ajay Bansal. BYPL is engaged in trading of cotton yarn at its facility located in Panipat, Haryana. The product line includes yarn of different counts depending upon the customer requirement.

Brief Financials (₹ crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (Prov.)
Total operating income	40.62	8.53	NA
PBILDT	1.11	0.42	NA
PAT	0.62	0.12	NA
Overall gearing (times)	0.18	0.38	NA
Interest coverage (times)	4.68	1.96	NA

A: Audited; Prov.: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: 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		-	-	-	0.00	Withdrawn
Non-fund-based – ST-Letter of credit		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of 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-Cash Credit	LT	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (19-May-22)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (25-Feb-21)	1)CARE BB-; Stable (05-Mar-20)
2	Non-fund-based - ST-Letter of credit	ST	-	-	1)CARE A4; ISSUER NOT COOPERATING* (19-May-22)	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Feb-21)	1)CARE A4 (05-Mar-20)

Annexure-3: Detailed explanation of covenants of the rated instrument / 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	Non-fund-based - ST-Letter of credit	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 instrument: CARE Ratings Ltd. has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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