

Bansal Yarns Private Limited
January 07, 2019

Ratings

| Facilities/Instruments | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|---|---|-------------------|
| Long term Bank Facilities | 2.00 (reduced from Rs.3.00 crore) | CARE BB-; Stable (Double B Minus; Outlook: Stable) | Reaffirmed |
| Short term Bank Facilities | 6.00 (reduced from Rs.7.00 crore) | CARE A4 (A Four) | Reaffirmed |
| Total facilities | 8.00 (Rupees Eight crore only) | | |

Details of instruments/facilities in Annexure-I

Detailed Rationale and key rating drivers

The ratings assigned to the bank facilities of Bansal Yarns Private Limited (BYPL) continue to be constrained by its modest scale of operations and company's presence in competitive & fragmented industry with susceptibility to government regulations. The ratings, however, derive strength from experienced promoters, long track record of operations, moderate profitability margins, liquidity position and solvency position.

Going forward, the ability of the company to scale up its operations while maintaining its profitability margins and solvency position shall be the key rating sensitivities

Detailed description of the key rating drivers**Key Rating Strengths*****Experienced promoters and long track record of 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 four decades and two and a half 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.

Moderate profitability margins

The profitability margins stood weak marked by PBILDT margin of 2.52% and PAT margin of 1.54% in FY18. The PBILDT margin improved from 1.90% in FY17 to 2.52% in FY18 due to improved sales realization. Consequently, and also due to decline in interest costs in FY18, the PAT margin improved from 0.80% in FY17 to 1.54% in FY18. Further, gross cash accruals increased from Rs.0.67 crore in FY17 to Rs.1.12 crore in FY18

Moderate capital structure and debt coverage indicators

The capital structure of the company is moderate as reflected by overall gearing ratio of 0.53x as on March 31, 2018. It improved from 1.14x as on March 31, 2017 mainly on account of repayment of unsecured loans in FY18 and lower reliance on LC backed creditors as on last balance sheet date as compared to previous year.

The interest coverage ratio improved from 2.59x in FY17 to 12.80x in FY18 due to decrease in interest cost in FY18 coupled with increase in PBILDT in FY18. The total debt to GCA ratio improved from 7.52x for FY17 to 2.64x for FY18 due to decrease in debt levels of the company coupled with increase in gross cash accruals of the company in FY18.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Moderate liquidity position

The average operating cycle of the company stood moderate at 43 days for FY18 [PY: 28 days]. BYPL generally follows back to back procurement policy for traded goods which resulted in low inventory holding period of 8 days for FY18 [PY: 3 days]. The company extends a credit period of two months to its customers due to its presence in highly competitive industry, however, delay in receipt of funds from some of the customers resulted in average collection period of 82 days for FY18 [PY: 67 days]. On the supplier side, the company gets a credit period of around two months from its suppliers resulting into average creditor period of 48 days for FY18 [PY: 42 days]. The working capital limits remained fully utilized for the last 12 months period ended November 2018. The current ratio and quick ratio stood moderate at 1.51x and 1.30x respectively as on March 31, 2018

Key Rating Weaknesses

Modest scale of operations

The total operating income of the company decreased from Rs.83.23 crore in FY17 to Rs.72.09 crore in FY18 due to lower quantities sold due to decrease in orders received from customers. The modest scale of operations limits the company's financial flexibility in times of stress and deprives it from scale benefits.

Highly competitive and fragmented industry with susceptibility to government regulations

Cotton yarn business in India is highly fragmented with presence of a large number of 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.

Analytical Approach: Standalone

Applicable Criteria:

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for short term instruments](#)

[Rating Methodology - Wholesale Trading](#)

[Financial ratios –Non-Financial Sector](#)

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 (Rs. crore) | FY17 (A) | FY18 (A) |
|-------------------------------------|-----------------|-----------------|
| Total operating income | 83.23 | 72.09 |
| PBILD | 1.58 | 1.82 |
| PAT | 0.67 | 1.11 |
| Overall gearing (times) | 1.14 | 0.53 |
| Interest coverage (times) | 2.59 | 12.80 |

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|--------------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Cash Credit | - | - | - | 2.00 | CARE BB-; Stable |
| Fund-based - LT-Cash Credit | - | - | - | 0.00 | Withdrawn |
| Non-fund-based - ST-Letter of credit | - | - | - | 6.00 | CARE A4 |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|------------------|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 |
| 1. | Fund-based - LT-Cash Credit | LT | 2.00 | CARE BB-; Stable | - | 1)CARE BB-; Stable (28-Dec-17) | - | - |
| 2. | Fund-based - LT-Cash Credit | LT | - | - | - | 1)CARE BB-; Stable (28-Dec-17) | - | - |
| 3. | Non-fund-based - ST-Letter of credit | ST | 6.00 | CARE A4 | - | 1)CARE A4 (28-Dec-17) | - | - |

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