

Bansal Yarns Private Limited

December 28, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	3.00	CARE BB-; Stable (Double B Minus; Outlook Stable)	Assigned
Short term Bank Facilities	7.00	CARE A4 (A Four)	Assigned
Total	10.00 (Rupees Ten 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) are constrained by its modest scale of operations with low profitability margins 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 operating cycle and solvency position.

Going forward, the ability of the company to scale up its operations while improving its profitability margins and maintaining the overall solvency position

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 capital structure and debt coverage indicators

BYPL has a moderate capital structure with overall gearing ratio of 1.14x as on March 31, 2017 due to company's limited dependence upon borrowings to meet various business requirements. Furthermore, the interest coverage ratio stood moderate at 2.59x in FY17. The same improved from 1.85x in FY16 due to decrease in interest costs of the company. Further, total debt to GCA stood moderate at 7.52x for FY17.

Moderate operating cycle

The operating cycle of the company stood at 28 days for FY17 (PY: 48 days). BYPL follows back to back procurement policy for goods to be traded which resulted in average inventory holding period of 3 days for FY17. The company extends a credit period of up to two and a half months to its customers due to its presence in highly competitive industry. On the supplier side, the company gets a credit period of around two months from its suppliers

Key Rating Weaknesses

Modest scale of operations with low profitability margins

The scale of operations of the company stood modest marked by total operating income of Rs.83.23 crore in FY17 (refers to the period from April 01 to March 31). Furthermore, gross cash accruals stood small at Rs.0.67 crore in FY17. The modest scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. Further, the profitability margins stood low marked by PBILDT margin of 1.90% and PAT margin of 0.80% in FY17.

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.

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

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)	FY16 (A)	FY17 (A)
Total operating income	52.53	82.83
PBILDT	1.60	1.58
PAT	0.50	0.67
Overall gearing (times)	0.54	1.14
Interest coverage (times)	1.85	2.59

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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About CARE Ratings:

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.

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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	-	-	-	1.00	CARE BB-; Stable
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE BB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	7.00	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	1.00	CARE BB-; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	2.00	CARE BB-; Stable	-	-	-	-
3.	Non-fund-based - ST-Letter of credit	ST	7.00	CARE A4	-	-	-	-

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