

Brintons Carpets Asia Private Limited

March 12, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Short term Bank Facilities	1.00 (1.00)	CARE A1 [A One]	Reaffirmed
Long term/Short term Bank Facilities	7.00 (7.00)	CARE A-; Stable/CARE A1 [Single A Minus; Outlook: Stable/ A One]	Reaffirmed
Total Facilities	8.00 (Rs. Eight crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings reaffirmation to the bank facilities of Brintons Carpets Asia Private Limited (Brintons Asia) continues to derive strength from the long standing experience, well established brand image of its parent [Brintons Carpets Limited UK (Brintons UK)] and strong support from the parent in terms of operational, technical and marketing activities. Furthermore, the rating factors robust capital structure and debt coverage metrics.

The ratings are constrained by its moderate scale of operations, elongated working capital cycle and high dependence on performance of Brintons UK.

Rating Sensitivities

Positive Factors

- Increase in scale of operations with total operating income more than Rs.200 crore along with sustained PBILDT Margins of above 15% leading to improvement in gross cash accruals.
- Continued robust capital structure

Negative Factors

- Substantial decline in scale of operations i.e. TOI falling below Rs.100 crore and/or fall in PBILDT margins lower than 10%, both on a sustained basis
- Significant reduction in networth and thus impacting the financial flexibility of the company

Detailed description of the key rating drivers

Key Rating Strengths

Established track record, brand image and strong support from Brintons UK in terms of operational, technical and marketing activities: Brintons Asia is a subsidiary of United Kingdom based Brintons Carpets Limited, UK (Brintons UK; having 99.99% stake), a global manufacturer of carpets. Brintons Asia derives its strength from the parent company's legacy of more than 2 centuries in manufacturing high end carpets with Brintons UK providing its technical expertise. Furthermore, the brand image of Brintons UK helps Brintons Asia secure domestic orders as well from marquee hotels and international airports like Taj, Leela, Oberoi, Hyatt, Le Meridian, etc. Brintons UK is in turn owned by Argand Partners LP, a New York based PE fund.

Robust capital structure and debt coverage indicators: Brintons Asia reported a healthy networth of Rs.145.66 crore (Rs.145.89 crore) as on March 31, 2019 (2018). On account of buyback of shares worth Rs.8.50 crore in May, 2018, the networth remained stagnant. Also the company issued bonus shares worth Rs.51 crore in March, 2019. Furthermore, the company has bought back shares amounting to Rs.19 crore in FY20 which is estimated to reduce the networth, however this may be partially offset by moderate accretion to reserves.

The company manages its entire working capital requirements and capital expenditure through internal accruals leading to unleveraged balance sheet as on March 31, 2019 and is estimated to remain same as on FY20 ending. Over the medium term, though the company is expected to utilize its working capital lines, but the capital structure is expected remain robust. Considering negligible debt usage, the company's interest coverage ratio (188.77x in FY19) is expected to remain strong over the medium term.

Key Rating Weaknesses

Moderate scale of operations: Company's scalability in topline is dependent majorly on orders received from its parent company. Since, Brintons Asia majorly execute carpet orders for Middle East, Asia and some part of Europe through Brintons

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

UK; the topline is highly correlated to demand received by the parent company from these regions. In domestic market, the woolen carpets are suitable only in limited conditions i.e. spaces with cold atmosphere or are fully air-conditioned, thus restricting revenue generation from domestic market. These factors coupled with low global demand over the recent years and competition has led to stagnant sales of Brintons UK and thus Brintons Asia's scale of operations have remained moderate with total operating income in the range of Rs.116-130 crore over the past 3 fiscals through FY19.

Elongated working capital cycle: Working capital cycle of 203-228 days in FY17-FY19 indicates high working capital intensive operations with average collection days in the range of 201-218 days and inventory days in the range of 58-74 days during the same period. However, the working capital utilisation is low since the company manages its working capital requirements from internal sources currently.

Liquidity: Adequate

Liquidity is marked by moderate cash accruals vis a vis no repayment obligations, unutilized bank lines supported by efficient management of working capital and healthy current ratio as well as overall gearing ratio. However, unencumbered cash and bank balances were modest at Rs.0.44 crore as on March 31, 2019 and around Rs.0.70 crore as on December 31, 2019.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch'](#)

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

[Criteria for Short Term Instruments](#)

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

[Rating Methodology - Manufacturing Companies](#)

About the Company

Brintons Carpets Asia Private Limited (Brintons Asia), incorporated in October 1997, is a 100% subsidiary of Brintons Carpets Limited, UK (Brintons UK). Brintons Asia manufactures Axminster carpets (machine made woolen carpets) at Urawade, approximately 25 km from Pune, Maharashtra. Currently, Brintons Asia has an annual carpet manufacturing capacity of 2 million square meters and yarn manufacturing capacity of 3000 metric tonne (MT).

Covenants of rated instrument / facility: Not Applicable

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	127.48	116.33
PBILDT	18.90	20.05
PAT	8.13	8.10
Overall gearing (times)	0.00	0.00
Interest coverage (times)	80.44	188.77

A: Audited

Status of non-cooperation with previous CRA: ICRA suspended its rating [ICRA] BBB+ in June 2013 on account of absence of requisite information.

Any other information: Not applicable

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

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/Non-fund-based-LT/ST	-	-	-	7.00	CARE A-; Stable / CARE A1
Non-fund-based - ST-BG/LC	-	-	-	1.00	CARE A1

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based/Non-fund-based-LT/ST	LT/ST	7.00	CARE A-; Stable / CARE A1	1)CARE A-; Stable / CARE A1 (03-Apr-19)	-	1)CARE A-; Stable / CARE A1 (26-Feb-18)	1)CARE A-; Stable / CARE A1 (30-Mar-17)
2.	Non-fund-based - ST-BG/LC	ST	1.00	CARE A1	1)CARE A1 (03-Apr-19)	-	1)CARE A1 (26-Feb-18)	1)CARE A1 (30-Mar-17)

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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