

Rating Rationale

January 28, 2022 | Mumbai

Bhuyan Associates Private Limited

Rating migrated to 'CRISIL BB / Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.7.59 Crore
Long Term Rating ^{&}	CRISIL BB/Stable (Migrated from 'CRISIL BB/ Stable Issuer Not Cooperating')

[&] *Issuer did not cooperate; based on best-available information

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

Due to inadequate information and in line with the Securities and Exchange Board of India guidelines, CRISIL Ratings had migrated its rating on the long-term bank facilities of Bhuyan Associates Private Limited (BAPL) to 'CRISIL BB/Stable Issuer Not Cooperating'. However, the company's management has started sharing the requisite information for a comprehensive review of the rating. Consequently, CRISIL Ratings is migrating the rating of BAPL from 'CRISIL BB/Stable Issuer Not Cooperating' to 'CRISIL BB/Stable'.

The rating continues to reflect the extensive experience of the promoters in the flexible packaging business and the company's comfortable debt protection metrics. These strengths are partially offset by modest scale of operations in a competitive industry and susceptibility to volatility in raw material prices.

Key rating drivers and detailed description

Strengths:

- Extensive experience of the promoters:** The promoters' experience of more than two decades and established relationships with customers (including Emami Ltd and Goodricke Group Ltd) should continue to support business risk profile.
- Comfortable debt protection metrics and capital structure:** Net cash accrual to adjusted debt ratio and interest coverage were healthy at 0.15 time and 3.90 times, respectively, in fiscal 2021. Capital structure has also remained comfortable as reflected in low gearing and total outside liabilities to tangible network ratio of 0.67 time and 0.89 time, respectively, as on March 31, 2021.

Weaknesses:

- Modest scale of operations and exposure to intense competition:** Intense competition due to low entry barriers and strong bargaining power of buyers continue to constrain the scalability and pricing flexibility of BAPL. Operating income was subdued at Rs 31.79 crore in fiscal 2021.
- Susceptibility to volatility in raw material prices:** BAPL purchases high-density polyethylene, polypropylene, low-density polyethylene, and linear low-density polyethylene plastic granules from domestic and overseas suppliers. Being polymer products, the prices of raw materials depend on crude oil rates and demand-supply dynamics. Profitability (operating margin was 4.9% in fiscal 2021) is, therefore, vulnerable to fluctuations in input prices.

Liquidity: Adequate

Bank limit was utilised extensively at 94.12% on average for the 12 months through October 2021. Annual cash accrual is expected over Rs 1.2 crore against yearly term debt obligation of Rs 0.1 crore over the medium term and the surplus will cushion liquidity.

Outlook: Stable

CRISIL Ratings believes BAPL will continue to benefit from the extensive experience of its promoters.

Rating Sensitivity factors

Upward factors:

- Sustenance of revenue and operating margin leading to cash accrual above Rs 1.30 crore
- Improvement in the working capital cycle with receivables declining below 25 days

Downward factors:

- Stretch in the working capital cycle with receivables rising to more than 45 days
- Substantial increase in working capital requirement affecting the financial risk profile and liquidity

About the company

Incorporated in 2001 and promoted and managed by Mr Gautam Saha, Mr Uttam Saha, and Mr Satyam Saha, BAPL manufactures and prints flexible packaging material at its facility in Guwahati.

Key financial indicators

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	31.79	33.86
Reported profit after tax (PAT)	Rs crore	0.32	0.39
PAT margin	%	1.00	1.15
Adjusted debt/adjusted networkth	Times	0.67	0.62
Interest coverage	Times	3.90	2.62

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure: Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue Size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	5.75	NA	CRISIL BB/Stable
NA	Standby letter of credit	NA	NA	NA	0.75	NA	CRISIL BB/Stable
NA	Term loan	NA	NA	Mar-2024	0.5	NA	CRISIL BB/Stable
NA	Proposed fund-based bank limits	NA	NA	NA	0.59	NA	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	7.59	CRISIL BB/Stable		--	30-09-21	CRISIL BB /Stable(Issuer Not Cooperating)*	18-06-20	CRISIL BB/Stable	06-03-19	CRISIL BB/Stable	CRISIL BB/Stable
Non-Fund Based Facilities	ST		--		--		--		--		--	CRISIL A4+

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Cash Credit	5.75	CRISIL BB/Stable
Proposed Fund-Based Bank Limits	0.59	CRISIL BB/Stable
Standby Line of Credit	0.75	CRISIL BB/Stable
Term Loan	0.5	CRISIL BB/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Assessing Information Adequacy Risk
CRISILs Criteria for rating short term debt

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