

February 18, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan	5.29	SMERA BB/Stable (Assigned)
Cash Credit	6.50	SMERA BB/Stable (Assigned)
Cash Credit (proposed)	0.21	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (**read as SMERA double B**) to the abovementioned bank facilities of Bhairav Embro Designs Private Limited (BEDPL). The outlook is '**Stable**'. The rating derives comfort from the company's established track record of operations and experienced management. The rating is also supported by the company's diversified clientele and moderate financial risk profile. However, the rating is constrained by the company's small-scale operations and working capital-intensive business. The rating is also constrained by the company's exposure to intense competition in the readymade garments industry.

BEDPL, incorporated in 1998, is a Delhi-based company engaged in manufacturing and trading of readymade garments. BEDPL benefits from its experienced management. The directors of the company have around 15 years of experience in the textile industry. BEDPL has a well-diversified clientele. The company derives less than 20 per cent of its total revenues from the top ten customers. BEDPL's moderate financial risk profile is marked by debt-equity ratio of 1.55 times as on March 31, 2014 and interest coverage of 2.43 times in FY2013-14 (refers to financial year, April 01 to March 31).

BEDPL has small-scale operations marked by operating income of Rs.45.07 crore in FY2013-14. The company's business is working capital-intensive, as reflected in high utilisation (90 per cent) of cash credit limit during August 2014 to January 2015. BEDPL faces intense competition from several players in the readymade garments industry.

Outlook: Stable

SMERA believes BEDPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while maintaining steady profit margins. The outlook may be revised to 'Negative' in case of deterioration in the company's operating margins or working capital management.

About the company

BEDPL, incorporated in 1998, is a Delhi-based company promoted by members of the Soni family. BEDPL is engaged in manufacturing and trading of readymade garments for ladies. The company caters to customers in the domestic market.

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For FY2013-14, BEDPL reported profit after tax (PAT) of Rs.0.23 crore on operating income of Rs.45.07 crore, as compared with PAT of Rs.0.21 crore on operating income of Rs.34.29 crore in FY2012-13. The company's net worth stood at Rs.8.30 crore as on March 31, 2014, as compared with Rs.8.07 crore a year earlier.

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