

April 06, 2016

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

SMERA has reaffirmed the rating of '**SMERA BB**' (read as SMERA double B) on 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 diversified clientele and moderate financial risk profile. However, the rating is constrained by the small-scale of operations, working capital-intensive business and intense competition in the readymade garments industry.

Update

BEDPL's moderate financial risk profile is marked by debt-equity ratio of 1.44 times in FY2015 as compared to 1.55 times in FY2014 and interest coverage of 2.02 times. The operating margin improved to 5.37 per cent in FY2015 as against 3.69 per cent in FY2014 on account of reduction in job work expenses. The PAT margin declined to 0.22 per cent in FY2015 as against 0.51 per cent in FY2014 due to increase in interest cost from Rs.0.69 crore in FY2014 to Rs.1.32 crore in FY2015.

Rating Sensitivity Factors

- Maintaining steady margins
- Scaling up operations while maintaining adequate profitability

Outlook: Stable

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

About the Company

BEDPL, incorporated in 1998, is a Delhi-based company promoted by Mr Soni and family. The company is engaged in the manufacturing and trading of readymade garments for women and targets the domestic market.

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For FY2014-15, BEDPL reported profit after tax (PAT) of Rs.0.11 crore on operating income of Rs.49.33 crore, as compared with PAT of Rs.0.22 crore on operating income of Rs.45.07 crore in FY2013-14.

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