



SMERA RATINGS LIMITED

BMV Exim Private Limited

(BMV)

*Rating
Rationale*

April 08, 2015

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit	16.50*	SMERA A4 (Assigned)
Foreign Bill Purchase	5.00*	SMERA A4 (Assigned)
Cash Credit	1.00	SMERA B/ Stable (Assigned)
Gold Card	4.30	SMERA A4 (Assigned)

**Fully interchangeable with Packing Credit in Foreign Currency*

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.1.00 crore long-term bank facility and '**SMERA A4**' (read as **SMERA A four**) to the Rs.25.80 crore short-term bank facilities of BMV Exim Private Limited (BMV). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and moderate-scale operations. However, the ratings are constrained by the company's stretched receivables, working capital-intensive operations and below-average financial risk profile. The ratings note that the company's profit margins are susceptible to volatility in raw material prices and fluctuations in forex rates. The ratings are also constrained by the company's exposure to intense competitive pressure and geographical concentration risk.

BMV, established in 2007, is a Punjab-based company engaged in manufacturing and export of readymade garments. BMV benefits from its experienced management. The directors of the company have around three decades of experience in the textile industry. BMV has moderate-scale operations with operating income of Rs.83.13 crore in FY2013-14 (refers to financial year, April 01 to March 31).

The company's operations are working capital-intensive on account of high inventory levels (168 days in FY2013-14). BMV has outstanding receivables of Rs.5.49 crore (~48 per cent of net worth) due for more than six months as on March 31, 2014. Timely recovery of the aforementioned receivables is a key rating sensitivity. BMV's below-average financial risk profile is reflected in high debt-equity ratio of 2.47 times (as on March 31, 2014), interest coverage ratio of 1.43 times and debt service coverage ratio of 0.86 times in FY2013-14. The company's net profit margin is low at 0.12 per cent in FY2013-14. BMV's profit margins are susceptible to volatility in prices of raw materials (cotton and polyester) and fluctuations in forex rates. The company operates in an intensely competitive and fragmented segment of the textile industry. BMV is exposed to geographical concentration risk as sales to customers in the Middle East account for a significant portion (~80 per cent) of the company's total revenues.

Outlook: Stable

SMERA believes BMV 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 higher-than-expected growth in revenues while achieving substantial improvement in profit margins, capital structure and coverage indicators. The outlook

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may be revised to 'Negative' in case the company reports lower-than-expected revenues and profit margins, or in case of deterioration in the company's capital structure.

About the company

BMV, established in 2007, is a Punjab-based company promoted by Mr. Bharat Bhushan and Mr. Brij Mohan Bajaj. BMV is engaged in manufacturing and export of readymade garments. The company mainly caters to customers in the Middle East.

For FY2013-14, BMV reported profit after tax (PAT) of Rs.0.10 crore on operating income of Rs.83.13 crore, as compared with PAT of Rs.0.33 crore on operating income of Rs.105.98 crore in FY2012-13. The company registered operating income of Rs.96.00 crore (provisional) during April 2014 to January 2015. BMV's net worth stood at Rs.11.51 crore as on March 31, 2014, as compared with Rs.10.24 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in Web: www.smera.in	Shripad Nande Manager – Corporate Ratings Tel: +91-22-6714 1329 Email: shripad.nande@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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