



SMERA RATINGS LIMITED

**Banarsi Dass Cotton Mills Private Limited
(Banarsi Dass)****Rating
Rationale****December 29, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.70	SMERA B/Stable (Assigned)
Term Loan	1.45	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.6.15 crore bank facilities of Banarsi Dass Cotton Mills Private Limited (Banarsi Dass). The outlook is '**Stable**'.

The rating is constrained by the modest scale of operations, working capital intensive nature of operations and the highly competitive and fragmented cotton industry. However, the rating draws comfort from the extensive industry experience of the promoter and long track record of operations of over two decades.

Outlook: Stable

SMERA believes that the company would continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if the company reports substantial and sustainable revenues or operating margins resulting in improvement in the business risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle further elongates resulting in weakening of its existing financial risk profile especially liquidity or if the company undertakes significant debt-funded capital expenditure over the medium term.

Rating Sensitivity Factors

- Substantial and sustainable growth in revenues or operating margins
- Working capital management
- Price trends of key raw material

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**Rating
Rationale**

About the Company

Incorporated in 1991, Banarsi Dass is promoted by Mr. D.P. Mittal, Director and family. The company manufactures cotton bales, cotton oil, cotton extraction meal and other related products. The company's manufacturing capacity stands at 160 cotton bales per day while the cotton oil manufacturing plant has capacity to process 45 MT of cotton seeds.

For FY2014-15, Banarsi Dass reported profit after tax (PAT) of Rs.0.02 crore, on operating income of Rs.16.25 crore, as compared with PAT of Rs.0.01 crore on operating income of Rs.16.35 crore in the previous year.

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