

**March 02, 2016**

Facilities	Amount (Rs. Crore)	Rating
Term Loan	12.75	SMERA BB-/Stable (Assigned)
Cash Credit	1.00	SMERA BB-/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) to the Rs.13.75 crore long term bank facilities of Bhagawati Oxygen Limited (BOL). The outlook is '**Stable**'.

The rating is supported by the company's long operational track record and extensive experience of the promoters in the manufacturing of industrial gases. The rating also draws support from the healthy financial profile of the company and established relations with key client, Hindustan Copper Limited (HCL). However, the rating is constrained by the moderate scale of operations and large ongoing debt funded capex.

Rating Sensitivity Factors

- Successful implementation of the ongoing project
- Improvement in revenue and profitability
- Renewal of agreement with HCL

Outlook – Stable

SMERA believes that BOL will benefit from its experienced management and established relations with HCL. The outlook may be revised to 'Positive' if the company achieves higher than expected revenues in the medium term while achieving stability in profits. However, the outlook may be revised to 'Negative' if the company fails to achieve the expected scalability or if the financial profile deteriorates owing to increase in the proportion of debt in the ongoing capex.

About the Company

BOL, established in 1972, is being governed at Board Level by Mr. Suresh Kumar Sharma, Mr. Himanshu Sharma, Mr, Bipin Bihari Lal and others. The company is engaged in the manufacture and trading of liquid and gaseous oxygen. The company derives around 70 per cent of its revenues from sale of industrial gases to Hindustan Copper Limited and the balance from trading in specialty gases and cylinders.

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For FY2014-15 (refers to financial year April 01 to March 31), BOL reported profit after tax (PAT) of Rs.1.08 crore on operating income of Rs.11.91 crore, as compared with profit after tax (PAT) of Rs.0.70 crore on operating income of Rs.12.51 crore in FY2013-14.

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