

Bhagwat Tex: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Term Loan I	0.83	SMERA B-/Stable (Assigned)
Term Loan II	3.58	SMERA B-/Stable (Assigned)
Cash Credit	1.25	SMERA B-/Stable (Assigned)

SMERA has assigned long term rating of **'SMERA B-' (read as SMERA B minus)** to the above mentioned bank facilities of Bhagwat Tex. The outlook is **'Stable'**. The rating is constrained by the limited track record of operations, small scale of business and below average financial risk profile. The rating is also constrained by the capital intensive operations. However, the rating draws support from the experienced management.

Bhagwat Tex, established in 2015, is engaged in the manufacturing and designing of knitted fabrics. The firm commenced operations in January, 2016 and registered revenue of Rs.0.43 crore for FY2015-16 (Provisional).

The financial risk profile has been below average, marked by low net worth of Rs.2.29 crore and gearing (debt-equity) of 2.20 times as on March 31, 2016. The interest coverage ratio (ICR) stood at 1.04 times in FY2016 (Provisional).

The firm's operations are capital intensive reflected in the gross current assets (GCA) of ~180 days in FY2015-16. The high GCA emanates from the high inventory holding days.

However, the firm benefits from its experienced management. The partners, Mr. Lakshar Khunt and Mr. Mukesh Lukhi possess extensive experience in the textile industry.

Rating Sensitivity Factors

- Improvement in scale of operations, profit margins
- Improvement in the financial risk profile
- Efficient working capital management

Outlook-Stable

SMERA believes that Bhagwat Tex will maintain a stable outlook and benefit from its experienced management in the medium term. The outlook may be revised to 'Positive' if the firm registers improvement in scale of operations while achieving healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

Bhagwat Tex was established in 2015 by Mr. Lakshar Khunt and Mr. Mukesh Lukhi, Partners. The firm primarily manufactures and designs knitted fabric at Surat.

For FY2015-16 (Provisional), the firm reported profit after tax (PAT) of Rs.0.01 crore on operating income of Rs.0.43 crore. The net worth stood at Rs.2.29 crore as on March 31, 2016.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.