

Shree Bharka India Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	18.00	SMERA BB+/Stable (Assigned)
Bank Guarantee	1.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.19.00 crore bank facilities of Shree Bharka India Limited.

The ratings draw support from the long track record of operations and experienced management. The ratings also draw strength from the moderate financial risk profile marked by moderate operating margin and interest coverage. However, the ratings are constrained by the company's stretched liquidity profile, high working capital cycle and exposure to intense competition in the textile industry.

Shree Bharka India Limited is engaged in the manufacture and export of suiting fabrics. The company benefits from its experienced management. The promoters, Mr. C.S. Kothari and Mr. Sandeep Kothari have around two decades of experience in the textile industry.

However, the company's financial risk profile reflects high GCA days of 183 as on March 31, 2016 (Provisional). The declining interest coverage ratio stood at 2.05 times in FY2015-16 (Provisional) as compared to 2.40 times in FY2014-15. The company reported moderate gearing of 1.37 times (Provisional) as compared to 1.07 times in FY2014-15 and net profit margin of 1.28 per cent in FY2014-15. The Company has reported moderate operating margin of 6.24 percent in FY2014-15 as compared to 6.44 per cent in FY2013-14. SMERA also notes that the company has stretched liquidity profile marked by average cash credit utilisation of around 96 percent. Also, the company faces intense competition in the textile industry.

Outlook-Stable

SMERA believes that the outlook on SBIL's rated facilities will remain stable over the medium term on account of the company's experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company achieves better than expected growth in revenues and profit margins. Conversely, the outlook maybe revised to 'Negative' in case of decline in profitability or deterioration of capital structure.

Rating Sensitivity Factors

- Exposure to fluctuations in forex rates
- Improvement in working capital cycle
- Improvement in revenue while maintaining profitability

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

Shree Bharka India Limited is a Bhilwara (Rajasthan) based company established in 1995. The company, headed by Mr. C.S Kothari and Mr. Sandeep Kothari is engaged in the manufacture and export of suiting fabrics under the SBIL brand name.

For FY2015-16 (Provisional), the company reported net profit after tax of Rs.0.85 crore on total income of Rs.65.15 crore as against net profit after tax of Rs.0.78 crore on total income of Rs.60.89 crore a year earlier. The net worth stood at Rs.15.83 crore as on March 31, 2016 (Provisional), as compared with Rs.11.44 crore a year earlier.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operation, 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 Website: www.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.