

Bhagwati Poly Fill Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Term Loan	0.20	SMERA BB-/Stable (Assigned)
Cash Credit	7.70	SMERA BB-/Stable (Assigned)

SMERA has assigned rating of **'SMERA BB-' (read as SMERA double B minus)** to the Rs.7.90 crore bank facilities of Bhagwati Poly Fill Private Limited (BPPL). The outlook is **'Stable'**.

The rating draws comfort from the experienced management. The rating also draws support from the average financial risk profile marked by low net worth, moderate gearing and coverage indicators. However, the rating is constrained by the moderate scale of operations, working capital intensive business and geographical concentration risk.

BPPL, incorporated in 2002 is engaged in the manufacturing of sizing yarn. The company benefits from the experienced management. Mr. Rameshbhai Dhanani, Director, possesses extensive experience of over a decade in the textile industry. The company has average financial risk profile marked by low net worth of Rs.5.32 crore, moderate gearing (Debt-equity) of 1.50 times, interest coverage ratio (ICR) of 1.66 times and debt service coverage ratio (DSCR) of 1.51 times in FY2015-16 (Provisional).

However, the rating is constrained by the moderate scale of operations of Rs.38.40 crore in FY2016 (Provisional) as compared to Rs.44.26 crore in FY2015. The working capital intensive operations are marked by high gross current asset days of 110 in FY2016 (Provisional) as against 111 days in FY2015 mainly due to high debtor days of 90 and 97 in FY2016 (Provisional) and FY2015 respectively. Besides, the company realises its entire revenue by catering to the local fabric manufacturer in Surat.

Outlook-Stable

SMERA believes that BPPL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations while improving profitability
- Efficient working capital management

Criteria applied to arrive at the rating:

- Manufacturing entities

About the Company

BPPL, incorporated in 2002, is a Gujarat-based company promoted by Mr. Rameshbhai Dhanani. The company is engaged in the manufacturing of sizing yarn.

For FY2015-16 (Provisional), BPPL registered profit after tax (PAT) of Rs.0.42 crore on operating income of Rs.38.40 crore, as compared with PAT of Rs.0.10 crore on operating income of Rs.44.26 crore in FY2014-15. The tangible net worth stood at Rs. 5.32 crore as on March 31, 2016 (Provisional) as against Rs. 3.33 crore in previous years.

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ABOUT SMERA

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