

November 22, 2013

| Facilities | Amount (Rs. Crore) | Ratings |
|-----------------------|--------------------|-----------------------------------|
| Cash Credit | 1.00 | SMERA B+/Stable (Assigned) |
| Term Loan | 11.25 | SMERA B+/Stable (Assigned) |
| Bank Guarantee | 0.30 | SMERA A4 (Assigned) |

SMERA has assigned ratings of '**SMERA B+**' (**read as SMERA B Plus**) to the Rs.12.25 crore long-term bank facilities and '**SMERA A4**' (**read as SMERA A Four**) to the Rs.0.30 crore short-term bank facilities of Basant Texfab Pvt. Ltd. (Basant). The outlook is '**Stable**'. The ratings are constrained by the company's modest scale of operations, working capital-intensive business and exposure to intense competition prevalent in the textile industry. However, the ratings derive comfort from the company's newly-installed shuttleless weaving looms of advanced technology. The ratings are supported by the company's experienced management and entitlement to subsidies provided by the government.

Basant is a Gujarat-based company engaged in manufacturing of cotton fabric (used in manufacturing suits and shirts). Basant commenced commercial operations in June 2013. The company is exposed to the intense competition prevalent in the weaving industry, which is highly fragmented with the presence of several small players in the unorganized sector. Basant's operations are likely to be working capital-intensive owing to the extended credit period (70-80 days) availed by customers in the industry.

The Indian weaving industry is plagued by obsolete technology, which has rendered most players uncompetitive in the export market. Moreover, indigenous garment manufacturers are importing quality fabric. Basant has recently installed 32 shuttleless weaving looms of the latest technology. The company is thus likely to have a competitive edge over players using power looms. Basant is entitled to, capital and interest subsidy provided under the Technology Upgradation Fund Scheme (TUFS) of the government. Basant's promoters have 15 years of experience in the textile industry.

Outlook: Stable

SMERA believes Basant will continue to maintain a stable business risk profile backed by its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected profitability while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected profitability or in case of delays in realisation of debtors and subsidy. Basant's ability to operate at optimal utilisation levels while registering healthy profit margins remains a key rating sensitivity.

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About the company

Basant (formerly known as Basant Share & Stock Broking Private Limited) is promoted by Mr. Pawankumar Jalan, Mr. Amit Bindal and Mr. Navin Saraogi. The company has setup a weaving unit in Ahmedabad, Gujarat with 32 shuttleless weaving looms for manufacturing of cotton fabric. Basant started commercial production in June 2013.

Basant registered revenue of Rs.12.00 crore (provisional) during April 2013 to September 2013. The company's net worth stands at Rs.3.00 crore (provisional) as on September 30, 2013.

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