



Rating Rationale

Bhavani Cotton

16th April 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 8.00 Crores of Bhavani Cotton.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	8.00 8.00	Long Term	BWR B+ (Pronounced BWR Single B Plus) (Outlook: Stable)
Total	8.00	INR Eight Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of Bhavani Cotton (BC) of FY17, projected financial statements of FY18 & FY19 and publicly available information and information / clarification provided by the firm's management.

The rating derives comfort from the extensive experience of promoters. The rating is however constrained by decline in revenue, thin profit margins, exposure to fluctuations in raw material prices and highly competitive industry.

Going forward, the firm's ability in consistently achieving projected revenue, the ability of the management to infuse capital, timely debt servicing and manage its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**



Extensive experience of promoters

BC is promoted by Mr. Durlabhjibhai V. Gami, Mr. Govindbhai M. Dadhaniya and others having an experience of more than one decade in this industry.

- **Credit Risks:**

Decline in revenue

BC has reported operating income of Rs. 21.48 crs (provisional) for the period April, 2017 to 27th March, 2018 (12m) as against Rs. 95.29 crs in FY17, a 77 percent decline in sales. The reason for the fall in sales is on account of lack of orders from its customers.

Thin profitability margin

The operating profit margin stood thin at 0.81 percent against operating income of Rs. 95.29 crs in FY17. Further, the net profit margin stood thin at 0.03 percent in FY17 as against 0.05 percent in FY16.

Exposure to fluctuations in raw material prices

The operating profitability remains highly susceptibility as material cost constitutes 90-95% of direct cost. Further low bargaining power with customers limits the ability to pass on the fluctuation in raw material prices.

Exposure to intense competition

BC faces intense competition in a highly fragmented textile industry with several organised and unorganised players.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Bhavani Cotton** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm



Bhavani Cotton (BC) is a partnership firm and was established in the year 2002. BC is located in Gondal, Gujarat and is engaged in cotton ginning and pressing. BC is promoted by Mr. Durlabhjibhai V. Gami, Mr. Govindbhai M. Dadhaniya and others.

Firm's Financial Performance

In audited FY17, revenue and PAT of Bhavani Cotton stood at Rs 95.29 Cr and Rs 0.03 Cr respectively, compared to Rs. 45.00 Cr and Rs. 0.02 Cr respectively in FY16. The Tangible Net Worth of the firm stood at Rs. 5.38 Cr in FY17.

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Annually	Annually
Operating Revenue	₹ Cr	95.29	45.00
EBITDA	₹ Cr	0.77	0.80
PAT	₹ Cr	0.03	0.02
Tangible Net worth	₹ Cr	5.38	5.21
Total Debt/Tangible Net worth	Times	1.18	1.64
Current Ratio	Times	1.37	1.31

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund based Cash Credit	Long Term	8.00 8.00	BWR B+ (Outlook: Stable)	-	-	-
	Total		8.00	₹ Eight Crores Only			



Status of non cooperation with previous CRA: NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

Analytical Contacts	Media
Ravindra Kumar General Manager - Ratings	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.



DISCLAIMER

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