

Rating Rationale

Brickwork Ratings assigns ‘BWR BBB’ & ‘BWR A3’ rating for Bank Credit Facilities aggregating ₹ 105.01 Cr of Sri Bhagirath Textiles Ltd. (“SBTL” or “the Company”)¹

Brickwork Ratings (BWR) has assigned the **Rating¹** of **BWR BBB** (Pronounced BWR Triple B) with a stable outlook for the long term Bank credit facilities of Rs.100.01 Cr and **‘BWR A3’** (Pronounced BWR A Three) for the Short term Bank credit facilities of Rs.5 Cr to **Sri Bhagirath Textiles Ltd.** (“SBTL” or “the Company”),.

Facility	Limits Amount (₹ Cr)	Tenure	Rating ¹
Term Loan	65.01	Long Term	BWR BBB (Pronounced BWR Triple B) Outlook- Stable
Cash Credit	32.00		
SLC	3.00		
Letter of Credit (Sub Limit of CC)	(8.50)	Short Term	BWR A3 (Pronounced BWR A Three)
Bank Guarantee	5.00		
EBD (Sublimit of CC)	(3.00)		
EPC (Sublimit of CC)	(7.00)		
Total	105.01 (INR One Hundred Five Crores & One Lakhs only)		

The rating reflects promoters experience in textile industry, established market position, long standing relations with reputed customer’s base, group’s presence in textile value chain, successful completion of capacity expansion, modest financial profile marked by healthy coverage indicators & comfortable leverage, and promoter’s ability to infuse further equity as per business requirement.

The rating is however constrained by relatively modest scale of operations, susceptibility of profitability to volatility in raw material prices, working capital intensive operations and fragmented & cyclical nature of industry.

Background

Originally incorporated as Bhagirath Textiles Industries Limited on February 27, 1991, the name of the company was changed to Sri Bhagirath Textiles Limited (SBTL) on June 15, 1997. SBTL, a closely held family owned company, commenced its commercial operation in 1991 by venturing into cotton trading. In 1996, SBTL commenced its manufacturing operations by installing 12,768 spindles at Village Mohali, Nagpur District.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

As on March 31, 2015 SBTL had total installed capacity of 51,000 spindles and 2200 rotors. Primary business activity of SBTL is manufacturing and sale of cotton/blended yarn. SBTL manufactures ring spun polyester/viscose, polyester/cotton, 100% viscose single and double yarn in the count range of 40-50s. SBTL also manufactures 100% cotton yarn at open-ended spindles having count range of 12-30s. SBTL is also engaged in the trading of cotton bales. SBTL is the flagship company of Nagpur-based SB Rander group. The group has its presence in diversified business activities, including ginning, cotton trading, quarries, marbles and infrastructure. SBTL has successfully commenced the operations of its unit III which is expected to substantially increase the overall capacity.

During FY14, the company reported revenues of Rs. 254 crs compared to Rs. 230.78 crs in FY13. The company recorded profit after tax of Rs.2.08 crs in FY14 compared to Rs. 1.43 crs in FY13. For FY15, the company recorded provisional revenues of Rs. 215 crs and profit after tax of Rs. 0.79 crs, mainly on account of lower price realization in FY15.

As on FY14 the company's networth stood at Rs. 31.76 crs and debt of Rs. 44.72 crs with debt equity of 1.41 times. The company has maintained comfortable coverage indicators.

Outlook

Going forward, the Company's ability to stabilize the operations of expanded capacity as envisaged, while maintaining favourable capital structure and effectively manage its working capital along with the substantial improvement in revenues & profitability would be key rating sensitivities for the firm. The outlook is expected to be stable over the coming year and the performance is estimated to be steady and in line with past performance.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.