

Rating Rationale

Brickwork Ratings reaffirms BWR BBB/A3 rating for the enhanced Bank Credit Facilities aggregating ₹ 165.68 Cr of Sri Bhagirath Textiles Ltd.

Brickwork Ratings (BWR) has reaffirmed the **Rating¹** of **BWR BBB** (Pronounced BWR Triple B) with a stable outlook for the long term Bank credit facilities of Rs.135.68 Crores and ‘**BWR A3**’ (Pronounced BWR A Three) for the Short term Bank credit facilities of Rs.30 Crores of **Sri Bhagirath Textiles Ltd.** (“SBTL” or “the Company”)¹.

Facility	Current Limits to be rated (Amt in ₹ Cr)	Previous Limits (Amt in ₹ Cr)	Tenure	Rating ¹
Term Loan	79.68	65.01	Long Term	BWR BBB (Pronounced Triple B) Outlook- Stable
Cash Credit	50.00	32.00		
SLC	6.00	3.00		
Letter of Credit (Sub Limit of CC)	(10.00)	(8.50)	Short Term	BWR A3 (Pronounced A Three)
STD L	20.00	0.00		
Bank Guarantee	10.00	5.00		
EBD (Sublimit of CC)	(10.00)	(3.00)		
EPC (Sublimit of CC)	(10.00)	(7.00)		
Total	165.68 (INR One Hundred & Sixty Five Crores & Sixty Eight Lakhs Only)			

The rating continues to reflect 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 FY15, the company reported revenues of Rs. 215.49 crs compared to Rs. 249.39 crs in FY14. The company recorded profit after tax of Rs.0.82 crs in FY15 compared to Rs. 2.08 crs in FY14. For 9MFY16, the company recorded provisional revenues of Rs. 272 crs.

As on FY15 the company's networth stood at Rs. 47.75 crs and debt of Rs.110.11 crs with debt equity of 2.30 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.

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