

Rating Advisory

September 07, 2018 | Mumbai

Shree Bhavya Fabrics Limited

Advisory as on September 07, 2018

This rating advisory is provided in relation to the rating of Shree Bhavya Fabrics

The key rating sensitivity factors for the rating include:

- Sales and product mix
- Working capital management
- Capital expenditure (capex) plans and their funding

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Shree Bhavya Fabrics Ltd (SBFL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If SBFL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the company

SBFL was incorporated as Anjani Dram Industries Ltd (ADIL) in 1988, by the promoters, Mr Purshottam R Agarwal, Mr Anjani R Agarwal and Mr Radheshyam Agrawal. Daily operations are now managed by the chairman and managing director, Mr Purshottam Agarwal. The company mainly processes its own grey cloth, and undertakes job-work contracts for fabrics received from third parties. Processing facilities, at Ahmedabad have capacity of 1.5 lakh meters per day. SBFL has an established network for procurement of grey cloth, and an established marketing set-up across India. The company is listed on the Bombay Stock Exchange.

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Rating Rationale

September 04, 2017 | Mumbai

Shree Bhavya Fabrics Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.51 Crore
Long Term Rating	CRISIL BB-/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB-/Stable/CRISIL A4+' ratings on the bank facilities of Shree Bhavya Fabrics Ltd (SBFL).

CRISIL's rating on the bank facilities of SBFL continue to reflect the extensive experience of promoters in the textile industry, established relationships with suppliers and customers, and the moderate scale of operations. These strengths are partially offset by susceptibility to volatile cotton prices and the below-average financial risk profile.

Key Rating Drivers & Detailed Description

Strengths

* **Extensive experience of promoters and established relationships with customers and suppliers:** The three decade-long experience of the promoters and healthy relationships with suppliers and customers, have helped SBFL improve its operating margin even during uncertainty and slowdown in the textile industry.

* **Moderate scale of operations:** The company operates on a modest scale, as reflected in operating income of Rs 215.61 crore for fiscal 2017, and has been able to sustain market share even amidst heavy competition.

Weakness

* **Susceptibility to volatile cotton prices:** Operating profit margin remains susceptible to volatility in prices of raw material, particularly cotton, especially in the absence of sufficient pricing flexibility.

* **Below-average financial risk profile:** Gearing and the total outside liabilities to adjusted networth ratios were high, at 2.51 times and 4.30 times, respectively, as on March 31, 2017. Interest coverage ratio was weak at 1.41 times for fiscal 2017. The net worth was moderate which improved to 24.20 crore in fiscal 2017.

Outlook: Stable

CRISIL believes SBFL will continue to benefit from its established market position in the textile industry. The outlook may be revised to 'Positive' if sustained growth in revenue and profitability, strengthens the financial risk profile. The outlook may be revised to 'Negative' if decline in revenue and profitability, or any major debt-funded capital expenditure programme, weakens the financial risk profile.

About the Company

SBFL was incorporated as Anjani Dram Industries Ltd (ADIL) in 1988, by the promoters, Mr Purshottam R Agarwal, Mr Anjani R Agarwal and Mr Radheshyam Agrawal. Daily operations are now managed by the chairman and managing director, Mr Purshottam Agarwal. The company mainly processes its own grey cloth, and undertakes job-work contracts for fabrics received from third parties. Processing facilities, at Ahmedabad have capacity of 1.5 lakh meters per day. SBFL has an established network for procurement of grey cloth, and an established marketing set-up across India. The company is listed on the Bombay Stock Exchange.

Operating income was Rs 215.61 crore with profit after tax of Rs 0.52 crore during fiscal 2017, vis-À-vis Rs 222.20 crore and Rs.0.40 crore, respectively, in fiscal 2016.

Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs. Cr.	215.61	222.20
Profit After Tax	Rs. Cr.	0.52	0.40
PAT Margins	%	0.24	0.18
Adjusted Debt/Adjusted Net worth	Times	2.51	2.22
Interest coverage	Times	1.41	1.40

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	34.0	CRISIL BB-/Stable
NA	Channel financing	NA	NA	NA	4.40	CRISIL BB-/Stable
NA	Inland/Import Letter of credit	NA	NA	NA	9.0	CRISIL A4+
NA	Proposed term loan	NA	NA	NA	3.60	CRISIL BB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2017 (History)		2016		2015		2014		Start of 2014
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/S T	42	CRISIL BB-/Stable		No Rating Change	28-09-16	CRISIL BB-/Stable		No Rating Change		No Rating Change	CRISIL BB/Stable
Non Fund-based Bank Facilities	LT/S T	9	CRISIL A4+		No Rating Change		No Rating Change		No Rating Change		No Rating Change	CRISIL A4+

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	34	CRISIL BB-/Stable	Cash Credit	34	CRISIL BB-/Stable
Channel Financing	4.4	CRISIL BB-/Stable	Channel Financing	6	CRISIL BB-/Stable
Inland/Import Letter of Credit	9	CRISIL A4+	Inland/Import Letter of Credit	9	CRISIL A4+
Proposed Term Loan	3.6	CRISIL BB-/Stable	Term Loan	2	CRISIL BB-/Stable
Total	51	--	Total	51	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Cotton Textile Industry](#)

[Criteria for rating Short-Term Debt \(including Commercial Paper\)](#)

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p> <p>Jyoti Parmar Media Relations CRISIL Limited D: +91 22 3342 1835 B: +91 22 3342 3000 jyoti.parmar@crisil.com</p>	<p>Nitin Kansal Director - CRISIL Ratings CRISIL Limited D:+91 124 672 2154 nitin.kansal@crisil.com</p> <p>Himank Sharma Associate Director - CRISIL Ratings CRISIL Limited D:+91 124 672 2152 Himank.Sharma@crisil.com</p> <p>Ishu Mehta Rating Analyst - CRISIL Ratings CRISIL Limited D:+91 124 672 2148 Ishu.Mehta@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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