

February 3, 2012

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF  
BALAJI FILAMENTS LIMITED**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	28.32	CARE BBB- [ Triple B Minus]	Reaffirmed
Short-term Bank Facilities	0.65	CARE A3 [A Three]	Reaffirmed
<b>Total Facilities</b>	<b>28.97</b>		

**Rating Rationale**

The rating continues to derive strength from Balaji Filaments Limited's (BFL) experienced promoters, locational advantage in terms of proximity to raw material supply sources and target markets and the company's growing focus towards value-added products.

The ratings are however constrained by the small size of operations, limited presence in the textile value chain and moderate gearing levels on account of debt-funded capacity expansion. Furthermore, BFL's presence in highly competitive and fragmented industry with low entry barriers and long working-capital cycle also act as a constraining factor.

The ability of BFL to improve its financial risk profile, increase profitability margins in the scenario of intense competition in the domestic market coupled with volatility in raw material prices (linked to crude oil price movements) remain the key rating sensitivities.

**Background**

Incorporated in 1990, Balaji Filaments Limited (BFL), promoted by Mr Kanhaiyalal Agrawal, Mr Prahladrai Agrawal and Mr Nandkishore Agrawal, is engaged in manufacturing and trading of Polyester Texturised Yarn (PTY), Spun Yarn and Knitted Fabrics. In FY11 (refers to the period April 1 to March 31), BFL installed two texturising machines and thirteen knitting machines and as on March 31 2011 it has an installed capacity of 8000 MTPA of PTY, 1200 MTPA of Knitted Fabric and Spun Yarn of 2,020 MTPA. BFL is a predominantly a domestic player (99% of operating income) of which PTY contributed 42% of operating income in FY11. Manufacturing activity contributed 78% of the total income in FY11 through its two manufacturing units located at Daman and Silvaasa.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

During FY11, BFL reported the net sales of Rs.88.41 crore and a PAT of Rs.0.65 crore. During H1FY12, BFL reported the net sales of Rs.53.47 crore.

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