

January 19, 2016

CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF BPS INDUSTRIES

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1.56	CARE BB (SO)* (Double B) (Structured Obligation)	Assigned
Short-term Bank Facilities	11.20 (Enhanced from Rs. 7.18 Crore)	CARE A4 (SO)* (A Four) (Structured Obligation)	Revised from CARE A3 (SO) (A Three) (Structured Obligation)
Total Facilities	12.76 (Rupees Twelve Crore and Seventy Six Lakh Only)		

*backed by the corporate guarantee provided by Tritan Leather Works Private Limited

Rating Rationale

The ratings of BPS are based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by Tritan Leather Works Private Limited (TLW), (rated 'CARE A4')

The revision in the rating assigned to the bank facilities of Tritan Leather Works Private Limited (TLW) factors in the subdued performance during FY15 (refers to the period of April 1 to March 31) including decline in total operating income, cash losses and elongation of operating cycle. The rating further continues to be constrained by significant corporate guarantee exposure, geographical and customer concentration risk, foreign exchange fluctuation risk and intense competition in the leather industry.

The rating, however, continues to derive strength from the experienced promoters and long track record of operations in leather product business and association with reputed customers. The rating further takes comfort from the favorable capital structure.

Going forward, the ability to increase the scale of operations while achieving the profitability, continuation of relationship with key customers and maintaining the favorable capital structure shall be the key rating sensitivities.

Background of BPS Industries

BPS Industries (BPS), an export oriented unit was established as a proprietorship firm in 2004 by Mr. Ajay Bawa. BPS is engaged in manufacturing of leather products viz bags, belts and wallets. The firm has two manufacturing facility located at SEZ and Chromepet Chennai. The firm sells its products in overseas market and exports countries that include Australia, full form, full form, South Africa and France etc. The goods manufactured by the company are as per the specifications of its customer. The main raw material of the company is wet leather which is mainly procured domestically as well as imported as per the requirements of the customers.

About The Guarantor

Tritan Leather Works Private Limited (TLW) was incorporated on December 19, 1997 and commercial production started in August 1998. The company is promoted by Mr Ajay Bawa. The shares of the company are held 100% by Mr Ajay Bawa and his family members. TLW focuses on leather products like bags, belts and wallets. The manufacturing facility is located in Chennai, Tamil Nadu. The company sells its products mainly in the overseas markets and the main raw material

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

of the company is finished leather which is procured domestically from the local tanneries as well as imported from Hong Kong, Egypt and Italy. Besides TLW, group consists of BPS industries engaged in manufacturing of leather products like bags, belts and wallets.

TLW reported a net loss of Rs.1.60 crore and operating loss of Rs.0.25 crore on a total income of Rs.35.00 crore in FY15 (refers to the period April 01 to March 31) as against a PAT of Rs.2.17 crore and PBILDT of Rs.4.58 on a total income of Rs.42.30 crore in FY14. TLW has achieved a total operating income of Rs.24.58 crore till October, 2015 (as per unaudited results).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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