

JULY 14, 2014

CARE ASSIGNS 'CARE A3 (SO)' RATING TO THE BANK FACILITIES OF BPS INDUSTRIES

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Short-term Bank Facilities	7.18	CARE A3 (SO)@ [A Three (Structured Obligation)]	Assigned
Total	7.18		

@backed by corporate guarantee of Tritan Leather Works Private Limited

Rating Rationale

The above rating is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by Tritan Leather Works Private Limited (TLW), [Rated 'CARE A3'].

The rating of TLW draws comfort from the moderate financial risk profile of the company marked by moderate profitability margins, comfortable capital structure, satisfactory coverage indicators and moderate operating cycle. The rating further derives strength from the experienced promoters and long track record of operations and association with reputed customers.

The rating, however, remains constrained by the geographical and customer concentration risk, foreign exchange fluctuation risk and intense competition in the leather industry.

Going forward, the ability to increase the scale of operations while diversifying its customer base, continuation of relationship with key customers, effective working capital management 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 the manufacturing of leather products viz bags, belts and wallets. The firm has two manufacturing facilities located at Chennai. The firm sells its products in the overseas market and exports to the countries including Australia, United States of America, United Kingdom, South Africa and France. The goods manufactured by the firm are as per the specifications of the customers. The main raw material, wet leather, is mainly procured domestically as well as imported sometimes as per the customer requirement.

About the guarantor

Tritan Leather Works Pvt Ltd (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 company has a reputed customer base like Marks and Spencer, Tano International, Country Road Pvt Ltd etc. The company sells its products in the overseas market and exports to more than 10 countries that include Australia, USA, UK, South Africa, France and Hong Kong 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.

For FY13 (refers to the period April 1 to March 31), TLW achieved a total operating income of Rs.45.17 crore with a PAT of Rs.2.18 crore. Moreover, in FY14 (based on the provisional results), the company achieved a total operating income of Rs.42.30 crore with a PAT of Rs.2.17 crore.

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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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