

January 07, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF BHASKAR INDUSTRIES PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	165.20	CARE BBB+ (Triple B Plus)	Reaffirmed
Long term Bank Facilities	178.42	CARE BBB+ (Triple B Plus)	Revised from CARE BBB+(SO)
Short term Bank Facilities	20.00	CARE A3+ (A Three Plus)	Reaffirmed
Short term Bank Facilities	20.00	CARE A3+ (A Three Plus)	Revised from A3+(SO)
Total Facilities	383.62 (Rs. Three hundred eighty three crore and sixty two lakhs only)		

* rating revision factors in stand alone credit profile of Bhaskar Industries Pvt. Ltd. (BIPL) as no credit enhancement is being derived by the guarantee extended by Writers & Publishers Pvt Ltd (WPPL) and Bhaskar Publications and Allied Industries Pvt Ltd (BPAIPL), given their moderate financial position

Rating Rationale

The ratings assigned to the bank facilities of Bhaskar Industries Pvt. Ltd (BIPL) derive strength from strong parentage of Dainik Bhaskar (DB) group, experienced management, established position of BIPL in the denim industry, integrated operations and moderate profitability margins.

The ratings however continue to be constrained by exposure to group companies in unrelated businesses, moderate financial risk profile and working capital intensive operations. Furthermore, the ratings are also constrained by the susceptibility of the company's profitability to volatility in the prices of raw material and intense competition in the sector.

Ability to improve profitability margins as well as capital structure, manage volatility associated with cotton prices and the timely receipt of funds from the group entities as envisaged are key rating sensitivities.

Background

Incorporated in 1985, BIPL is a part of the DB group, promoted by the Agarwal family which is well known for its association with print media through D B Corp Ltd (DBCL, rated CARE AAA/A1+) which is one of the leading print media companies in India.

BIPL has integrated denim manufacturing facilities ranging from spinning to yarn dyeing to weaving and finishing. BIPL is primarily engaged in the manufacturing of denim fabric; it also manufactures cotton yarn. BIPL is one of the larger denim manufacturing units in India on the basis of installed capacity. As on March 31, 2015; BIPL had denim manufacturing capacity of about 41.1 mmpa (million metres per annum) and spinning capacity of 14832 mtpa (metric tons per annum).

During FY15 (refers to the period April 1 to March 31), BIPL reported net sales and PAT of Rs.940.95 crore and Rs.1.03 crore respectively vis-à-vis in FY14 where-in it reported net sales and PAT of Rs.764.56 crore and Rs.14.76 crore respectively. Furthermore, during H1FY16, BIPL reported total income of Rs.486.32 crore and PBT of Rs.14.67 crore.

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

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

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Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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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