

APRIL 07, 2015

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	*197.17 (reduced from *397.59)	CARE BBB+ [SO] (Triple B Plus [Structured Obligation])	Reaffirmed
Short-term Bank Facilities	*20 (*20)	CARE A3+ [SO] (A Three Plus [Structured Obligation])	Reaffirmed
Long-term Bank Facilities	171.45 (-)	CARE BBB+ (Triple B Plus)	Assigned
Short-term Bank Facilities	20 (-)	CARE A3+ (A Three Plus)	Assigned
Total Bank Facilities	408.62 (477.59)		

**These facilities are backed by unconditional and irrevocable corporate guarantee of group entities*

Rating Rationale

The reaffirmation of Structured Obligation (SO) ratings assigned to the bank facilities of Bhaskar Industries Pvt Ltd (BIPL) factors in the unconditional and irrevocable corporate guarantee extended by Writers & Publishers Pvt Ltd (WPPL) and Bhaskar Publications and Allied Industries Pvt Ltd (BPAIPL) which in turn derive strength from the strong parentage of the Dainik Bhaskar (DB) group.

The standalone ratings derive strength from 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 also get constrained by the risk of volatility in the prices of raw material and forex movements imparting volatility to the company's profitability 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 remain the 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, 2014; BIPL had denim manufacturing capacity of about 40 mmpa (million metres per annum) and spinning capacity of 14424 mtpa (metric tons per annum).

During FY14 (refers to the period April 1 to March 31), BIPL reported net sales and PAT of Rs.764.56 crore and Rs.14.76 crore respectively vis-à-vis in FY13 where-in it reported net sales and PAT of Rs.721.98 crore and Rs.34.24 crore respectively. Furthermore, during 9MFY15, BIPL reported total income of Rs.725 crore and PBT of Rs.10.35 crore.

Credit Risk Assessment

Credit Enhancement in the form of unconditional and irrevocable corporate guarantee of Writers & Publishers Pvt Ltd (WPPL) and Bhaskar Publications & Allied Industries Private Ltd (BPAIPL)

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

WPPL (held by the Agarwal family of the DB group) undertakes trading of edible oil seeds and also operates as an investment arm for the group, wherein it receives loans from associates and promoters and subsequently invests the same in group companies.

BPAIPL (held by the Agarwal family of the DB group) is engaged in the business of publishing newspapers on job work under the brand name 'Dainik Bhaskar' in Gwalior city.

During FY14, WPPL reported a total operating income of Rs.649.98 crore (vis-à-vis Rs.623.97 crore in FY13) and a PAT of Rs.4.30 crore (vis-à-vis Rs.5.10 crore in FY13). Furthermore, during FY14, BPAIPL reported a total operating income of Rs.28.40 crore (vis-à-vis Rs.24.96 crore in FY13) and a PAT of Rs.0.46 crore (vis-à-vis net loss of Rs.2.76 crore in FY13).

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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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