

April 9, 2013

**CARE assigns 'CARE BB+/CARE A4+' ratings to the Bank Facilities of
Bang Overseas Limited**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	12	CARE BB+ [Double B Plus]	Assigned
Short-term Bank Facilities	30	CARE A4+ [A Four Plus]	Assigned
Long/Short-term Bank Facilities	8	CARE BB+/ CARE A4+ [Double B Plus]/ [A Four Plus]	Assigned
Total Facilities	50		

Rating Rationale

The ratings assigned to the bank facilities of Bang Overseas Limited (BOL) are constrained by working capital intensive nature of operations resulting in long operating cycle, relatively low and volatile PBILDT margin, continuous decline in production in the past resulting in low capacity utilisation, corporate guarantee extended to one of the subsidiary company, forex risk and fragmented and cyclical nature of the garment industry.

The ratings, however, derive strength from the promoter's vast experience and established track record in the textile industry, diversified clientele base, low overall gearing level and moderate working capital utilisation.

Going forward, the ability of the company to improve and sustain its operating profit margin at higher level in the midst of volatile raw material prices and forex movement and ability to effectively manage its working capital cycle would be the key rating sensitivities.

While assigning the rating, CARE has considered the overall financial and operational profiles of the Bang overseas limited and its subsidiaries.

Background

Bang Overseas Limited (BOL) was originally incorporated under the name of Bang Overseas Private Limited in 1992 by Mr Venugopal Bang, the promoter and Chairman, and Mr Brijgopal Bang, promoter and Managing Director of the company. In February 2005, the company was reconstituted into public limited and the name was changed to current form. Later in January 2008, BOL came out with an IPO with an issue size of Rs.72.45 crore.

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

Over the years, by way of continuous expansion, BOL increased its installed capacity to manufacture 12.48 lakh garments per annum as on March 31, 2012. BOL has its own manufacturing set up located in Bangalore, Karnataka and Vishakhapatnam, Andhra Pradesh.

BOL specializes in manufacturing men's formal and casual wear for various Large Format Stores. BOL is also engaged into the manufacturing of garments on contract basis for both domestic and export market. Furthermore, BOL is also engaged in trading of fabric for both domestic and export market. BOL primarily caters to the domestic market around 85-90% of its net sales is generated from domestic market. During FY12, BOL hived off its subsidiary Thomas Scott (India) Ltd (TSIL) in FY12. TSIL is engaged in the manufacturing and retailing of men's formal wear under the brand name "Thomas Scott". BOL is the flagship company of the Bang Group. The Bang group is primarily present in the manufacturing and selling of ready-to-wear garments, trading of fabric and retailing of the garments.

During FY12, the BOL on consolidated basis reported profit after tax of Rs.0.12 crore on total income of Rs.179.83 crore.

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Press Release

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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