

Bhaskar Industries Pvt. Ltd.

December 28, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities (Term Loan)	155.54 (enhanced from Rs.136.45 crore)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Long Term Bank Facilities (Fund Based)	118.00 (118.00)		Reaffirmed
Short Term Bank Facilities (Non Fund Based)	20.00 (20.00)	CARE A3+ (A Three Plus)	Reaffirmed
Long Term Bank Facilities (Fund Based)	0.00 (24.00)	-	Withdrawn
Short Term Bank Facilities (Non Fund Based)	0.00 (20.00)	-	Withdrawn
Total	293.54 (Rs. Two hundred ninety three crore and fifty four lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of 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, and its integrated operations.

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.

CARE has withdrawn the rating assigned to the fund based and non-fund based facilities of BIPL, due to extinguishment of the said facility and there are no amounts outstanding under the facility as on date.

Detailed description of the key rating drivers

Key Rating Strengths

Strong & resourceful promoters

BIPL is promoted by promoters of DBCL and other group companies. The group has turned into a diversified conglomerate, with interests in various businesses like textiles, solvent extraction, vegetable oil refining, TV media, FM radio and real estate development from its traditional business of being a leading newspaper publication house.

DBCL is one of the leading print media group amongst national dailies in terms of readership with a total readership of ~44 million readers across its various publications as on March 31, 2017. DBCL's flagship newspaper DB is the most widely read Hindi newspaper in India.

Strong business profile tempered by declining operating margins

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

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 largest denim manufacturing companies in India on the basis of installed capacity. As on March 31, 2017; BIPL had denim manufacturing capacity of about 35.2 mmpa (million metres per annum) and spinning capacity of 14832 mtpa (metric tons per annum). BIPL sells its products both domestically as well as exports them across the globe with top three destinations contributing ~90% of export sales.

The net sales got impacted due to demonetization but remained stable in FY17 at Rs.952.93 crore. BIPL also engages in trading of fabrics fabric and income from same constituted ~42% of net sales in FY17 vis-à-vis 41% in FY16. During FY17, sales from denim fabric contributed 91% to gross sales (vis-à-vis 91% in FY16) followed by yarn at 9% (vis-à-vis 9% in FY16). Export sales remained at ~10% of gross sales during FY17 vis-à-vis ~10% during FY16.

PBILD margin dipped to 5.21 % in FY17 vis-à-vis 9.23% in FY16 primarily on account of lower sales realisations on fabric due to competitive market conditions and impact of demonetisation. Also, the cost of raw material and salary increased leading to losses at the net level.

Key Rating Weaknesses

Moderate financial risk profile; exposure to group companies in unrelated businesses

BIPL's financial risk profile is characterized by moderate capital structure and working capital intensive nature of operations. Overall gearing improved marginally to 1.55x as on March 31, 2017 vis-à-vis 1.80x as on March 31, 2016.

As on March 31, 2017 total long term loans outstanding were ~Rs.300 crore, of which only ~19% of the loan was used for internal purpose and balance ~81% was availed to infuse funds in group entities. Majority of these funds have been deployed in WPPL in the form of optionally fully convertible debenture (OFCD) which have been further lend by WPPL to Diligent Power Private Limited, DB Infrastructure Ltd., Decore Thermal Power Private Ltd., The Co-operative Store Ltd., Chambal Trading Private Ltd., etc for repayment of debt and capital expenditure.

Working capital intensive nature of operations

The company procures cotton/cotton yarn from domestic players mainly against cash basis and also against credit. Gross working capital cycle stood at about 3 months. Average collection period increased and stood at about 2.5 months. Further, average inventory period stood at about 1.5 months as the company being an integrated player stocks everything from cotton to yarn to fabrics. This results in working capital intensive nature of operations which is reflected in high utilization of working capital limits. Working capital limits continued to remain around 79% utilized during the past 12 months ended September 2017.

Volatility in raw material prices

Major raw materials used by BIPL include cotton/cotton yarn. Cotton prices have remained volatile as they are driven by various factors like, area under cultivation, yield for the year, government regulation and pricing, etc. Hence profitability of the company is highly susceptible to raw material price fluctuation and has therefore exhibited considerable volatility in the past.

However, BIPL mainly follows order based production policy wherein around 50-60% of the goods are produced against orders which minimizes inventory fluctuation risk.

Cyclical, fragmented and competitive nature of industry

BIPL has high product concentration risk with denim contributing around 91% to its net sales in FY17. BIPL's high dependence on denim makes it susceptible to risk associated with a downturn in the denim industry.

Analytical approach:

Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology: Factoring Linkages in Ratings](#)
[Rating Methodology-Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)
[Rating Methodology - Wholesale Trading](#)

About the Company

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; Stable/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 largest denim manufacturing companies in India on the basis of installed capacity. As on March 31, 2017; BIPL had denim manufacturing capacity of about 35.2 mmpa (million metres per annum) and spinning capacity of 14832 mtpa (metric tons per annum).

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	954.32	952.93
PBILDT	88.07	49.61
PAT	5.42	-16.16
Overall gearing (times)	1.80	1.55
Interest coverage (times)	1.48	0.93

A: Audited

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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.

Analyst Contact:

Name: Pulkit Agarwal
 Tel: 022-67543505
 Email: pulkit.agarwal@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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/outlooks 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 /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	20.00	CARE A3+
Fund-based - LT-Cash Credit	-	-	-	118.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	March 2023	155.54	CARE BBB+; Stable
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - ST-BG/LC	ST	20.00	CARE A3+	-	1)CARE A3+ (14-Oct-16)	1)CARE A3+ (07-Jan-16) 2)CARE A3+ (SO) (07-Apr-15)	-
2.	Fund-based - LT-Cash Credit	LT	118.00	CARE BBB+; Stable	-	1)CARE BBB+ (14-Oct-16)	1)CARE BBB+ (07-Jan-16) 2)CARE BBB+ (SO) (07-Apr-15)	-
3.	Fund-based - LT-Term Loan	LT	46.61	CARE BBB+; Stable	-	1)CARE BBB+ (14-Oct-16)	1)CARE BBB+ (07-Jan-16) 2)CARE BBB+ (SO) (07-Apr-15)	-
4.	Fund-based - LT-Term Loan	LT	5.46	CARE BBB+; Stable	-	1)CARE BBB+ (14-Oct-16)	1)CARE BBB+ (07-Jan-16) 2)CARE BBB+ (07-Apr-15)	-
5.	Fund-based - LT-Term Loan	LT	103.47	CARE BBB+; Stable	-	1)CARE BBB+ (14-Oct-16)	1)CARE BBB+ (07-Jan-16) 2)CARE BBB+ (07-Apr-15)	-
6.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB+ (14-Oct-16)	1)CARE BBB+ (07-Jan-16) 2)CARE BBB+ (07-Apr-15)	-
7.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A3+ (14-Oct-16)	1)CARE A3+ (07-Jan-16) 2)CARE A3+ (07-Apr-15)	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 851111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691