SEPTEMBER 06, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF LUX INDUSTRIES LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	374.25 (reduced from 400)	**CARE A+ (Single A plus)**	Revised from CARE A (Single A)
Short-term Bank Facilities	1.5	**CARE A1+ (A One plus)**	Revised from CARE A1 (A One)
Total	**375.75 (Rs. Three hundred seventy five crore and seventy five lakh only)**		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Lux Industries Ltd (LIL) takes into account the continued growth in operating income and improvement in profitability margins in FY16 (refers to the period April 1 to March 31) and Q1FY17 as well as improvement in capital structure and debt coverage indicators. The ratings also factor in the successful completion of the ongoing capital expenditure project.

The ratings continue to derive strength from the long track record and rich experience of the promoters, LUX group's integrated nature of operations and established presence in the hosiery industry with strong brand image and wide product range, regular infusion of capital by the promoters and established selling and marketing arrangements along with considerable export presence. The ratings however, remain constrained by its working capital intensive nature of operations, exposure to volatility in the prices of raw materials and intense competition.

Ability of the company to successfully leverage its premium segment and improve its profitability margins, while maintaining its gearing at comfortable level would remain the key rating sensitivities.

Background

LIL was incorporated as Lux Hosiery Industries Ltd. in July, 1995 and subsequently its name was changed to its present name in October, 2007. Currently, LIL is engaged in manufacturing and marketing of innerwear, thermals and casuals under various brands, with 'LUX' being its flagship brand. LIL is the flagship company of the LUX group. Other major companies of the group engaged in similar line of business, include J.M. Hosiery & Co. Ltd (JMHCL; rated CARE A-), Ebell Fashions Pvt. Ltd (EFPL; rated CARE A-(SO); backed by unconditional and irrevocable corporate guarantee of JMHCL) and S. D. International (SDI; rated CARE A-(SO) backed by unconditional and irrevocable corporate guarantee of JMHCL).

The company earned PAT of Rs.51.34 crore on total operating income of Rs.940.87 crore in FY16 vis-à-vis PAT level of Rs.45.23 crore on total operating income of Rs.908.96 crore in FY15.

Further, LIL achieved PAT of Rs.10.17 crore on total income of Rs.183.2 crore in Q1FY17 vis-à-vis PAT of Rs.8.62 crore on total income of Rs.166.5 crore in Q1FY16.

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

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

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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