

August 2, 2010

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF BSL LTD AND REMOVES 'CREDIT WATCH'

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	162.34	CARE BBB- (Triple B Minus)	Revised from CARE BB+ and credit watch removed
Short-term Bank Facilities	12.00	PR3 (PR Three)	Revised from PR4 and credit watch removed
Total Facilities	174.34		

Rating Rationale

The revision in the ratings takes into account the improved financial risk profile with growth in the total income, improvement in profitability and long-term solvency indicators and overall improvement in the demand scenario for textiles both in export and domestic markets. CARE has also removed the credit watch on the ratings on account of the successful amalgamation of Bhilwara Processors Ltd (BPL) with BSL. In addition, the ratings continue to draw strength from the promoters' long-standing experience in the textile industry and increased focus on manufacturing of high-margin value-added products. The ratings are, however, constrained by susceptibility to raw material price fluctuations, exposure to foreign exchange fluctuations risk, working capital intensive operations and competition from large and other established players. Going forward, sustainability of profitability margins over the future years, successful and timely implementation of the ongoing capacity expansion project and consequent stabilization of operations would remain the key rating sensitivities.

Company Profile

BSL Limited, one of the group companies of the LNJ Bhilwara group is primarily engaged in the manufacturing of a wide range woollen/worsted yarn, synthetic yarn, pure wool suitings, synthetics blended fabrics (poly-wool and poly-viscose), silk fabric, premium range of worsted suitings and readymade garments at its plant located at Bhilwara, Rajasthan.

During FY10, BPL was amalgamated with BSL with retrospective effect from April 1, 2009. BPL is a company of the same group and was into dyeing & processing with an annual installed capacity of 1,382 MT for fibre & yarn dyeing and 264 lac mtrs for fabric processing respectively.

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

Post-amalgamation of BPL with BSL, the consolidated entity has integrated operations with spinning, weaving, dyeing & processing and garment manufacturing facilities. While the amalgamation is not expected to contribute significantly by means of addition in total income, the integrated nature of operations is expected to improve the cost effectiveness in the production of the consolidated entity.

During FY10, BSL reported a total income of Rs.218 cr and earned a PAT of Rs.3.80 cr.

Analyst Contact

Name: Jyotsna Gadgil
Tel # 01123318701
Mobile # +919811552926
Email: jyotsna.gadgil@careratings.com

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>