

June 3, 2010

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF K.P.R MILLS LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	749.24	'CARE A-' (Single Minus) A	Reaffirmed
Short-term Bank Facilities	169.07	'PR2+' (PR Two Plus)	Reaffirmed
Total Facilities	918.31		

Rating Rationale

The ratings continue to factor in the promoters' established track record in the textile industry, KPR being one of the larger players in the Tiruppur yarn market and the integrated nature of its operations. The ratings, are, however, constrained by deterioration in financial performance of the company during FY09 characterized by less than anticipated growth in sales especially in the garment exports division on account of the economic slowdown in key export markets, sharp fall in operating margins and higher interest costs due to the debt funded expansion undertaken leading to lower profits.

Notwithstanding the improvement in performance reported by the company in 9MFY10, the ability of the company to improve sales especially in the garment division, while at the same time maintaining overall margins in light of the operating environment characterized by volatile cotton prices and poor power supply situation in Tamil Nadu would be critical to the prospects of the company. This along with the possible impact of the derivative contracts entered into by the company, on the financial risk profile of the company would be the key rating sensitivities.

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

Company Profile

KPR is promoted by three brothers Mr.K.P.Ramasamy, Mr.K.P.D.Sigamani and Mr.P.Nataraj. KPR is an integrated player producing cotton yarn, cotton knitted fabrics and knitted apparels from its facilities located in the Tiruppur-Coimbatore region. KPR reported a total operating income of Rs.740 cr in FY09 and a PAT of Rs.10 cr. For the nine-month period ended December 31, 2009 the company reported an income of Rs.608 cr and a PAT of Rs.34 cr.

Analyst Contact

Name: V.Pradeep Kumar

Tel: 044-2849 7812

Mobile: 9840754521

Email: pradeep.kumar@careratings.com

CARE 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.

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 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.

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 Place No. 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.Ashwini Jani 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 – 91766 47599 E-mail : ashwini.jani@careratings.com</p>	<p>Mr. Rahul Patni Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 _40102030 Mobile – 91600 04563 E-mail: rahul.patni@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>