

January 15, 2013

CARE REVISES THE LONG-TERM RATING AND REAFFIRMS THE SHORT-TERM RATING ASSIGNED TO THE BANK FACILITIES OF ORIENT CRAFT LIMITED

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	337.32	CARE BBB- [Triple B (Minus)]	Revised from CARE BBB [Triple B]
Short-term Bank Facilities	530.00	CARE A3 [A Three]	Reaffirmed
Total Facilities	867.32 (Enhanced from Rs.845.81 crore)		

Rating Rationale

The revision in the rating takes into account the deterioration in the coverage indicators due to continuous debt funding of the derivative losses. The ratings also continue to be constrained by the highly leveraged capital structure, elongated operating cycle and exposure to foreign exchange fluctuation risk.

The ratings, however, continue to derive strength from the established track record as a leading Indian ready-made garment manufacturer, experienced promoters, established relationship with reputed global clientele and stable margins.

Going forward, the ability of the company to sustain the profitability margins and improve its capital structure would remain the key rating sensitivities.

Background

Orient Craft Limited (OCL), incorporated in 1978, is in the business of manufacturing woven and knitted garments and home furnishings. The company is one of India's leading manufacturers of premium ready-to-wear garments. OCL is also recognized by the Government as a four-star export house. OCL's value-added products cater to the middle and higher income segments of its markets, namely USA and Europe.

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

Press Release

In FY12 (refers to the period April 1 to March 31), OCL reported a PAT of Rs. 25.97 crore on the total income of Rs.1,122.07crore. On a provisional basis, OCL reported PAT of Rs.15.18 crore on a total income of Rs.511.49crore in H1FY13.

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