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CARE ASSIGNS 'BBB' AND 'PR3' RATINGS TO THE BANK FACILITIES OF ORIENT CRAFT LTD

CARE has assigned a '**CARE BBB' (Triple B)** rating to the Long-term Bank Facilities of Orient Craft Limited (OCL). This rating is applicable for facilities having tenure of over one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations and carry moderate credit risk.

Also, CARE has assigned a '**PR3' (PR Three)** rating to the Short-term Bank Facilities of OCL. This rating is applicable for facilities having tenure up to one year. Facilities with this rating would have moderate capacity for timely repayment of short-term debt obligations at the time of rating and carry higher credit risk as compared to facilities rated higher.

These ratings are assigned to both long-term and short-term bank facilities aggregating Rs.691.52 crore.

Facility	Amount (Rs. crore)	Rating
Long-term Loans	282.52	'CARE BBB'
Long-term Fund-based Facilities	300.00	'CARE BBB'
Long/Short-term Non-fund-based Facilities	109.00	'CARE BBB / PR3'
Total	691.52	

Rating Rationale

The ratings factor in OCL's established track record as a leading Indian ready-made garment manufacturer and exporter, experienced promoters, diversified and value-added products commanding higher margins and established relationship with reputed global clientele. The ratings are constrained by high overall gearing and stressed liquidity, increase in operating cycle in a working capital-intensive industry, on-going debt-funded capital expenditure and negative outlook of the textile industry in the short to medium term.

Going forward, the ability to sustain a healthy order book position, prudent management of forex exposure and ability to improve gearing and manage working capital requirements effectively, would be the key rating sensitivities.

Company Profile

OCL is one of India's leading manufacturers of premium ready-to-wear garments and exports its products to leading international fashion houses and retail chains, predominantly in the United States of America (USA) and Europe. OCL was promoted in 1978 by Mr. Sudhir Dhingra (Present CMD) and Mr. K.K. Kohli.

It has established relationships over the years with leading retailers of the world, such as Marks and Spencer's, Macys Merchandising, The Gap Group etc which have been giving it repeat orders. OCL is also recognised by the Government as a Four-Star export house.

Net sales of the company declined by 8% to Rs.686 crore in FY08 due to due to appreciation of rupee and consequently PBILDT margin was also lower at 9.39%. PAT margin declined to 3.96% during FY08 due to increase in depreciation and interest charges.

As per provisional results of FY09, OCL's total income from operations stood at Rs.851 crore and PBILDT at 8.67%. The company reported a net loss for the year due to huge losses on its derivative contracts and foreign exchange loss on foreign currency loan owing to large foreign exchange fluctuation.

The global economic slowdown has adversely impacted the textile exports especially to USA and European countries. Besides, the unprecedented volatility in foreign currencies had a negative effect on operations of various players in the textile industry including OCL.

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