

October 21, 2010

CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES/INSTRUMENTS OF GARDEN SILK MILLS LTD.

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1,102.44	'CARE A+' (Single A Plus)	Reaffirmed
Short-term Bank Facilities	400.00 (enhanced from Rs.200.00 crore)	'PR1+' (PR One Plus)	Reaffirmed
Total Facilities	1,502.44		
Non Convertible Debentures	50.00	'CARE A+' (Single A Plus)	Reaffirmed
Commercial Paper*	300.00 (enhanced from Rs.185.00 crore)	'PR1+' (PR One Plus)	Reaffirmed

* *carved out of working capital limits*

Rating Rationale

The rating continue to derive strength from experienced promoters, well-established position in the polyester chips and partially-oriented yarn industry, locational advantage, comfortable interest coverage, short working capital cycle and growth in operations. The ratings further derive strength from liquid investments consistently maintained by GSML coupled with growing focus on value-added yarn segment.

The ratings are however constrained by decline in profitability margins, high leverage, project execution risk, volatility in raw material prices and skewed competition from the significantly larger market leader with integrated operations. Ability of GSML to improve its profitability margins in an environment characterized by high volatility in raw material prices and aggressive competition from other domestic players, successfully implement the expansion project and maintain comfortable liquidity position are the key rating sensitivities.

Company Profile

Garden Silk Mills Limited (GSML) was incorporated in 1979 as a fabric manufacturer and over the years, the company transformed itself into manufacturing of Polyester chips, Polyester filament yarn (including POY and processed yarn) and fabric at its plants at Jolwa and Vareli in Surat (Gujarat).

² "Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications"



Press Release

On net sales of Rs.2,515 crore in FY10, GSML reported PAT of Rs.63 crore. During Q1FY11, GSML reported PAT of Rs.6.59 crore on net sales of Rs.845.33 crore.

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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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