

June 4, 2010

CARE REAFFIRMS HE RATINGS TO THE BANK FACILITIES AND STD/CP PROGRAMME OF HANUNG TOYS & TEXTILE LTD.

CARE has retained '**CARE A**' [**CARE Single A**] rating to the Long-term Bank Facilities of HTTL aggregating Rs.545.39 crore (enhanced from Rs.346.80 crore). This rating is applicable for facilities having tenure of over one year. Facilities with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such facilities carry low credit risk.

Also, CARE has retained '**PR1**' [**PR One**] rating to the Short-term Bank Facilities of HTTL aggregating Rs.162 crore (enhanced from Rs.115 crore). This rating is applicable for facilities having tenure up to one year. Facilities with this rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. Within this category, facilities with relatively better credit characteristics are assigned PR1+ rating.

Also, CARE has also retained '**PR1**' [**PR One**] rating to the STD/Commercial Paper programme (to be carved out of working capital limits) of HTTL aggregating Rs.40 crore. Instrument with this rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. Within this category, instrument with relatively better credit characteristics are assigned PR1+ rating.

Instrument	Amount (Rs. crore)	Rating
Long-term Bank Facilities	545.39	' CARE A '
Short-term Bank Facilities	162.00	' PR1 '
STD/CP Programme	40.00	' PR1 '
Total	747.39	

Rating Rationale

The above ratings continue to take into account HTTL's market position and expertise in the stuffed toys business, long track record, established relationships with customers, and consistent margins in toys segment. The ratings also take into account satisfactory solvency ratios and increasing focus on value-added products in the home furnishing segment. The ratings are however, constrained by customer concentration risk, increasing competition in both toys and home textile industries, increased working capital cycle, inherent risk & currency fluctuations associated with exports.

Going forward, the ability of HTTL to sustain profitable operations and efficient working capital management will be the key rating sensitivities.

Company Profile

Incorporated in 1990, HTTL currently has two main areas of operations viz toys manufacturing and home furnishings, contributing approximately 40% and 60% respectively to the operating income of HTTL during FY09. The company's manufacturing facilities are located at Greater Noida (Uttar Pradesh), Roorkee (Uttarakhand) and Bhiwandi (Maharashtra).

During FY09, HTTL reported a total operating income of Rs.651.45 cr and earned PAT of Rs.64.44 cr. Also during 9MFY10, HTTL reported total operating income of Rs.565.38 cr and PAT of Rs.56.847 cr.

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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.

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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.

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