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June 1, 2010

**CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES & NCD ISSUE OF SHRI LAKSHMI COTSYN LTD.**

CARE has retained the '**CARE BBB+**' (**Triple B Plus**) rating assigned to the existing Non-Convertible Debentures (NCDs) of Rs.50 crore of Shri Lakshmi Cotsyn Ltd. (SLCL). The NCDs would be paid in three equal annual installments starting from the end of the third year from the date of allotment.

CARE has also retained the '**CARE BBB+**' (**Triple B Plus**) rating assigned to the Long-term Bank Facilities of SLCL. This rating is applicable for facilities having tenure of more than one year.

Instruments/facilities with CARE BBB rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk. CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

CARE has retained the '**PR3**' (**PR Three**) rating assigned to Short-term Bank Facilities of SLCL. This rating is applicable for facilities having a tenure upto 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.1,001.64 crore (enhanced from Rs.494.12 crore).

<b>Instrument</b>	<b>Amount (Rs crore)</b>	<b>Rating</b>
Non-Convertible Debentures (NCDs)	50.00	' <b>CARE BBB+</b> '
Term Loans	490.64	' <b>CARE BBB+</b> '
Fund-based Limits	450.00	' <b>CARE BBB+</b> '
Non-fund Based Limits	61.00	' <b>PR3</b> '

**Rating Rationale**

The ratings continue to factor in SLCL's consistent business growth, experience of the promoters and management team, a wide range of products including specialized products for defence sector and gradual addition of higher value-added products. However, the ratings are constrained by working capital intensive nature of operations, high overall gearing as a result of predominantly debt-funded expansions, planned/ongoing further large expansion plans & consequent project implementation risk.

The ability of the company to manage its working capital requirements effectively, the timely infusion of equity and completion of projects within the envisaged cost and time frame are the key rating sensitivities.

**Company Profile**

Incorporated in 1988, Shri Lakshmi Cotsyn Ltd. (SLCL) is engaged in manufacturing of blended suiting & shirting, microdot fusible interlining, industrial/technical fabric, embroidery, lace fabric and quilted fabric. In 2007, it diversified into rope-dyed denim fabric, terry towels, wider width sheeting fabrics and bottom weight wear fabrics (trousers), nylon-coated fabric, garment manufacturing etc.

On a total income of Rs.1,055 crore, SLCL earned a PAT of Rs.52 crore in FY09. During H1FY10, the company earned a PAT of Rs.43 crore on a total income of Rs.727 crore.

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