
July 22, 2010

CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES OF PEARL GLOBAL LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	31.20	'CARE BBB-' (Triple B Minus)	Assigned
Short-term Bank Facilities	123.00	'PR3' (PR Three)	Assigned
Long-term/Short-term Bank Facilities	117.00	'CARE BBB-'/ 'PR3' (Triple B Minus/PR Three)	Assigned
Total Facilities	271.20		

Rating Rationale

The ratings take into account PGL's long track record of operations and experienced promoters, established relationships with reputed global garment brands, comfortable order book position and scale advantage through availability of group-operated & third-party manufacturing facilities across the globe. However, the ratings are constrained by working capital intensive nature of operations resulting in high utilisation of working capital limits, moderate financial risk profile due to large derivative losses in the past, moderate debt service indicators and geographic and customer concentration risks.

Going forward, PGL's ability to sustain healthy order-book, improve profitability margins as well as effective management of working capital requirements would be the key rating sensitivities.

Company Profile

Pearl Global Limited (PGL) was incorporated in 1979, as Pearl Agencies Private Limited. In 1993, it was converted into a public limited company and the name was changed to the present one.

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

PGL is a subsidiary of House of Pearl Fashions Limited (HoPFL - which held 60.49% in PGL as on March 31, 2010) and is principally engaged in manufacturing (multi gender knitted, woven garments and bottom wear), trading and export of readymade garments. It operates four manufacturing facilities, of which three are located in North India (Gurgaon) and one in South India (Chennai).

During FY10, on a total operating income of Rs.551.38 crore, PGL earned PAT of Rs.9.84 crore.

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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.

Disclaimer

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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