
August 2, 2010

CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES AND 'CARE BBB+ (SO)' TO THE TERM LOAN OF PINNACLE INDUSTRIES LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	16.38	'CARE BBB-' (Triple B minus)	Assigned
Term loan against lease rental receivables	9.15	'CARE BBB+ (SO)' (Triple B plus [Structured Obligation])	Assigned
Short-term Bank Facilities	4.00	'PR3' (PR Three)	Assigned
Total Facilities	29.53		

Rating Rationale

The ratings take into account the established operations of PIL having stable revenues from established clients, locational advantage of its plant, and the comparatively lower risk associated with the prioritized long term debt which are serviced by segregated cash flows in the form of lease rental receivables from Demag Cranes & Components (India) Pvt. Ltd.

However, the ratings are constrained by the working capital intensive nature of operations resulting in moderate liquidity position and moderately high gearing along with the modest scale of its operation that is ancillary in nature. PIL's ability to efficiently manage its working capital cycle and improvement in overall financial risk profile along with the continuation of the lease contract with favourable terms will remain the key rating sensitivities.

Company Profile

Pinnacle Industries Ltd. (PIL) was set up in 1996 at Pithampur, to manufacture automotive seating systems and other ancillaries and cater to major heavy vehicle manufacturers & is promoted by Mr. Sudhir Mehta. PIL's current product profile is largely dominated by automotive seating systems for various automobiles (62% share in revenues) while the other segment (38% share) comprises of a wide-range of motor vehicle parts & interiors such as dashboards, head-rests, steering wheels, sliding door windows, roof linings, door panels, auto trims, transport floorings, etc.

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

PIL has leased 2.5 hectares of land along with shed in Pune to Demag Cranes & Components (India) Pvt. Ltd. (Demag; a fully owned subsidiary of Demag Cranes, Germany). Demag has set up its operations and administrative office on PIL's land and adjoining land of similar size of FML. The lease is for 10 years starting from Dec.'09 with a minimum lock-in of 5 years while PIL has a term loan of tenure of 7 years against these lease rental receivables.

On a total income of Rs.86.38 crore, PIL earned a PAT of Rs.2.06 crore in FY10.

Analyst Contact

Name: Deepak Prajapati

Tel # 079 - 40265608

Mobile # 9099028864

Email: deepak.prajapati@careratings.com

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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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Praladnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>