

July 13, 2010

**CARE ASSIGNS 'CARE BB' AND 'PR4' TO THE BANK FACILITIES OF FENOPLAST LTD.****Ratings Assigned**

| <b>Facilities/Instruments</b> | <b>Amount<br/>(Rs. crore)</b> | <b>Ratings<sup>1</sup></b>      | <b>Remarks</b> |
|-------------------------------|-------------------------------|---------------------------------|----------------|
| Long-term Bank Facilities     | 52.18                         | <b>'CARE BB'<br/>(Double B)</b> | 'Assigned'     |
| Short-term Bank Facilities    | 28.00                         | <b>'PR4'<br/>(PR Four)</b>      | 'Assigned'     |
| <b>Total Facilities</b>       | <b>80.18</b>                  |                                 |                |

**Rating Rationale**

The ratings take into account the small size of FPL, low profitability, high debt levels, strain on working capital and recent delays in repayment of dues on bank borrowings. The rating is however underpinned by company's long history of operations, and experienced management and a positive outlook on the automobile and pharma sectors – the major user segments for the company. The ability of the company to improve its liquidity position and to receive full benefit from its enhanced capacity remains the key rating sensitivities.

**Company Profile**

FPL was promoted by Mr. H Kishen and started its operations in 1976 to make PVC leather cloth and diversified into PVC film manufacturing in 1993. The present chairman of the company, Mr H. Narsaiah, has four decades of experience in Textile Business. Mr H. Kishen, Managing Director, has been associated with the company since the last thirty years. The company's major customers are from automobile and pharma sectors. Gross sales of the company increased by 11% in FY09 compared to FY08 mainly on account of the new capacity being available since September 2008. FPL commissioned a new unit PVC film unit in 2008 with a capacity of 10,000 MTA.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

The company reported a PAT of Rs.1 crore on a total income of Rs.110 crore in FY09. The increased debt availed for the capacity expansion stressed the liquidity of the company resulting in FPL delaying on its debt obligations to banks. There were instances of devolvement of LCs in the period from September 2008 to August 2009, when the working capital limits were enhanced.

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