

June 18, 2010

**CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF
K G PETROCHEM LIMITED**

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	48.33	'CARE BBB-' (Triple B Minus)	Reaffirmed
Short-term Bank Facilities	6.50	'PR3' (PR Three)	Reaffirmed
Total Facilities	55.33		

Rating Rationale

The ratings continue to take into account the vast experience of the promoters, its established presence in Terry Towel business and moderate liquidity position. The ratings also factors in the substantial progress made in the expansion project. However, the ratings are constrained by continued impact of exchange rate fluctuation & global slowdown and decline in profit margins during 11MFY10 (provisional).

The ability to achieve quick stabilisation and higher utilisation of expanded facilities, susceptibility of profit margins in wake of raw material price fluctuation, and improvement in financial risk profile remain the key rating sensitivities.

Company Profile

Incorporated in 1980, KGPL was promoted by Mr. G S Kandoi. KGPL is engaged in the manufacturing of terry towels and woven sacks. KGPL also works as a consignment stockist of GAIL (India) Ltd for polymers for Rajasthan and also operates a small healthcare division.

During FY09, total operating income increased to Rs.56.07 crore against Rs.49.60 crore in FY08. PAT margin, however, declined to 3.45% in FY09 against 4.70% in FY08. During 11MFY10 (provisional), operating income was Rs.55.43 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.

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

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