

July 8, 2010

**CARE REAFFIRMS RATINGS TO THE BANK FACILITIES OF
KONARK SYNTHETIC LTD****Ratings**

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	35.15	'CARE BB+' (Double B Plus)	Reaffirmed
Short-term Bank Facilities	7.41	'PR 4'(PR Four)	Reaffirmed
Total Facilities	42.56		

Rating Rationale

The ratings continue to be constrained by the small size of operations and unfavourable financial profile characterized by low profitability margins and debt coverage indicators, moderate gearing and stretched liquidity position. Further the fragmented nature of the industry imparting limited pricing power also acts as a constraining factor.

The ratings have also considered KSL's established track record, locational advantage in terms of proximity to raw material supply sources and target market and experience of the management in the speciality yarns business.

The ability of KSL to improve its profitability margins in the scenario of volatile raw material prices and intense competition are the key rating sensitivities.

Company Profile

Incorporated in July 1984 KSL was promoted by Mr. Prakash Dalmia. It was originally a speciality fancy yarn player and has now forayed into fabric (mainly for curtains) and garment market. It has manufacturing units at Silvassa, Sarigam and Bangalore. The revenue profile in FY09 is dominated by sale of processed fabric (contributing around 58% of total net sales) followed by by speciality yarn (20%).

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



Press Release

During FY09 KSL posted total operating income of Rs.68.46 crore and PAT of Rs.0.64 crore. PAT improved to Rs.1.01 crore during 9MFY10 on total income of Rs.57.24 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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