

September 24, 2010

**CARE REVISES THE RATING ASSIGNED TO BANK FACILITIES OF
KRIS FLEXIPACKS PVT LTD****Ratings Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	91.20	'CARE A' (Single A Minus)	Revised from CARE BBB+ [Triple B Plus]
Short-term Bank Facilities	27.00	'PR2' (PR Two)	Revised from PR3+ [PR Three Plus]
Total Facilities	118.20		

Rating Rationale

The revision in the ratings take into account the increasing scale of operations of KFPL, lower cost of borrowing in FY10 resulting into higher profitability margins and improvement in long-term solvency position of KFPL. The ratings continue to derive strength from the experience of the promoters in the flexible packaging industry, KFPL's established track record, nominations from international retail chains, diversified packaging portfolio and client base, strong marketing network and a broad base of raw material suppliers. However, the ratings are constrained by the increased raw material prices leading to decline in operating margins in the past few years, the company's primarily debt-funded expansion plans and stiff competition from unorganised players.

Prospective growth of the retail and food chain sector and the ability of KFPL to manage its working capital requirement in view of the envisaged expansion plans are the key rating sensitivities.

Company Profile

KFPL, engaged in manufacturing of packaging products, was formed in April 2007 by Sheth Brothers as a result of amalgamation of nine private limited companies with itself.

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

On a total income of Rs.204 crore, KFPL earned a PAT of Rs.11.80 crore in FY10. The long-term debt-equity ratio as well as the overall gearing ratio of the company improved to 0.70x and 1.50x as on March 31, 2010 as against 0.90x and 1.83x respectively as on March 31, 2009.

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