

September 3, 2010

**CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
KRITI INDUSTRIES (INDIA) LTD. AND
REMOVES THE RATINGS FROM 'CREDIT WATCH'**

Ratings Assigned

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	38.86 <i>(reduced from Rs.89.40 cr)</i>	'CARE BBB-' (Triple B Minus)	Revised from 'CARE BB+' and removed from 'Credit Watch'
Short-term Bank Facilities	75.00 <i>(reduced from Rs.79.00 cr)</i>	'PR3' (PR Three)	Revised from 'PR4' and removed from 'Credit Watch'
Total Facilities	113.86		

Rating Rationale

The revision in the ratings takes into account the improvement in the financial risk profile of KIL post-demergers of its solvent division (which had relatively weak financial risk profile) as well as the improved profitability and debt protection indicators in FY10. The ratings continue to draw strength from KIL's experienced management and established operations of PVC/HDPE business. The ratings are constrained by working capital intensive nature of operations, high supplier concentration and raw material price risk and stiff competition in PVC pipes segment from the unorganised segment.

The ability of KIL to improve its scale of operations with improvement in profitability and the extent of financial support to its associate concern are the key rating sensitivities.

Further, as the demerger of its solvent division into a separate entity (Kriti Nutrients Ltd.) and the demerger of auto engineering and moulding division into 100% subsidiary (Kriti Auto and Engineering Plastics Pvt. Ltd.) was completed with effect from January 01, 2010, the 'credit watch' has been removed from the above ratings.

Company Profile

KIL was promoted by Mr. Shiv Singh Mehta in 1990 and was engaged in manufacturing of soya oil and meal as well as plastic ducts and pipes, at its facilities at Dewas and Pithampur, Madhya Pradesh (MP).

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

In May 2008, KIL filed a scheme of arrangement with the Hon. High Court of Madhya Pradesh (MP), for the demerger of the solvent division into a separate entity and the auto engineering moulding division into a 100% subsidiary. KIL received the approval from the Hon. High Court and the demerger came into force from January 1, 2010. As a result, FY10 included 12 months financials of the plastic division (the continuing division) and nine months financials of the solvent division and the auto engineering moulding division (demerged entities).

The plastic division of KIL has a manufacturing capacity of 42,000 MTPA of rigid/flexible polymer pipes, telecommunication ducts and gas pipes and 1,200 MTPA of PVC/HDPE fittings.

During FY10, KIL registered total income of Rs.399.75 crore with PAT of Rs.9.11 crore as compared to total income of Rs.545.29 crore with net loss of Rs.2.71 crore in FY09. KIL had debt-equity ratio and overall gearing ratio of 0.38x and 0.94x, respectively as on March 31, 2010.

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