

June 16, 2010

CARE ASSIGNS 'CARE BBB' AND 'PR3+' RATINGS TO THE BANK FACILITIES OF SI GROUP INDIA LTD.

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	11.25	'CARE BBB' (Triple B)	Assigned
Short-term Bank Facilities	37.70	'PR3+' (PR Three Plus)	Assigned
Long-term/Short-term Bank Facilities	219.6	'CARE BBB'/'PR3+' (Triple B)/ (PR Three Plus)	Assigned
Total Facilities	268.55		

Rating Rationale

The ratings derive strength from favourable market position of SI Group India Ltd (SIGIL) as a manufacturer of organic chemicals and phenolic resins, diversified product portfolio, improved 9MFY10 performance and tangible support from the promoter group i.e. SI Group, Inc by way of guarantee extended for revolving credit limits enjoyed by SIGIL.

The ratings are however constrained by risk of volatile crude oil prices, which resulted in cash loss for SIGIL in FY09, vulnerability of SIGIL's profitability to inherent price cyclicity, stiff international competition due to low-priced imports and high level of contingent liability as on March 31, 2009.

The ability of SIGIL to maintain its profit margins and manage optimum inventory levels amidst intense international competition and volatility in the prices of its raw materials as well as final products are key rating sensitivities.

Company Profile

SIGIL, a subsidiary of SI Group Inc, since 2002 is engaged in the manufacture and marketing of organic chemicals and phenolic resins which find a wide range of industrial applications. The major products of SIGIL are Phenol, Acetone, Diacetone Alcohol, Phthalic Anhydride (PAN), Nonyl phenol, Dodecyl, Isophorone and other alkyl phenols. SIGIL has second-largest installed capacity of Phenol in the country.

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

On a total income of Rs.598 crore, SIGIL incurred a net loss of Rs.23 crore in FY09. The overall gearing ratio of the company stood at 1.17x as on March 31, 2009. On a total income of Rs.501 crore, SIGIL earned a PAT of Rs.28 crore in 9M FY10.

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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

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