

August 23, 2010

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
STANDARD FIREWORKS (P) LTD.**

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	107.00 (reduced from Rs.117.37cr)	'CARE BBB+' (Triple B Plus)	Reaffirmed
Short-term Bank Facilities	60.00 (enhanced from Rs.35.00cr)	'PR2' (PR Two)	Reaffirmed
Long/ Short-term Bank Facilities	0.80	'CARE BBB+' / 'PR2' (Triple B Plus) / (PR Two)	Reaffirmed
Total Facilities	167.80		

Rating Rationale

The ratings continue to take into account SFL's position in the fireworks industry as the largest player in India, substantial experience of its promoters in the industry, strength of the company's brand facilitating a steady growth in its business, comfortable profit margins and its significant infrastructure and integration supporting the business.

The ratings are, however, constrained by SFL's high working capital intensity requiring substantial short term borrowings, stiff competition, especially in the traditional items from the large unorganised market on account of low entry barriers, the hazards involved in the manufacture of fireworks and its associated risks, notwithstanding the precautions taken by the company and seasonal nature of the industry.

Company Profile

Standard Fireworks (P) Limited (SFL), a Sivakasi based company, is mainly engaged in the manufacture and sale of fireworks from its production facilities in and around Sivakasi town (in Tamil Nadu). SFL is the largest manufacturer of fireworks in India and enjoys strong brand recognition for its products. The promoters of SFL also have varied business interests covering chemicals, metal powders, printing and packaging, paper, granite quarrying and hotels.

² "Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications".

On a total operating income of Rs.118 cr, SFL posted a PAT of Rs.13 cr for FY09. Overall gearing stood at 1.46 times as on March 31, 2009.

For the half year ended September 30, 2009, SFL reported PAT of Rs.18cr on an operating income of Rs.100cr.

Analyst Contact

Name: K. Karthik Raj

Tel # 044 - 28697812

Mobile # 9940162244

Email: karthik.raj@careratings.com

CARE has 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.

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>

