



September 21, 2010

## **ICRA downgrades long term rating of Amiantit Fiberglass Industries India Private Limited to LBBB- with stable outlook and short term rating to A3**

ICRA has revised downwards the long-term rating outstanding to the Rs. 28.00 crore<sup>1</sup> fund-based bank facilities and the Rs. 9.26 crore term loan of Amiantit Fiberglass Industries India Private Limited<sup>†</sup> (AFIPL) to LBBB- (pronounced L triple B minus) from LBBB (pronounced L triple B). The outlook on the long-term rating is 'stable'. ICRA has also revised downwards the short-term rating outstanding on the Rs. 63.00 crore non-fund-based bank facilities of AFIPL to A3 (pronounced A three) from A3+ (pronounced A three plus).

The ratings revision takes into account the significant reduction in operating income of AFIPL caused by a change in product mix; declining return on capital employed (RoCE) and net profitability of the company in the last two years on account of forex loss in 2008-09 and high selling expenses in 2009-10; moderately aggressive funding structure for the proposed capital expenditure plan with a project gearing of 1.91 times, which is likely to stretch the company's overall capital structure to some extent and high customer concentration risk with top ten customers accounting to 89% of sales in 2009-10. Nevertheless, the ratings take into account the established market position of AFIPL in the fibre glass industry as leading player in GRP pipes and tanks; ICRA expects positive outlook for infra and power sector to which the company caters; healthy operating margins and moderate coverage indicators of the company and expansion project which is expected to reduce selling expenses and thus improve its margins.

### **Company Profile**

Incorporated in 2003, Amiantit Fiberglass Industries India Pvt. Ltd. (AFIPL) is a 70:30 joint venture between Amiantit Fiberglass Industries Ltd., Saudi Arabia and Shivanand V. Salgaocar, co-owner and Managing Director of V. M. Salgaocar Group of Companies, which deals in iron ore. At present, AFIPL operates out of its manufacturing plant located near Panaji (Goa) and has the annual capacity to manufacture 250 km of pipes, ranging from 300 mm to 3200 mm diameter. AFIPL has planned a capacity expansion project by commissioning a new facility at Vadodara (Gujarat).

### **Recent Results**

As per the provisional results for 2009-10, AFIPL reported a profit after tax (PAT) of Rs. 2.10 crore on an operating income of Rs. 77.73 crore. In 2008-09, the company made a net profit of Rs. 6.58 crore on an operating income of Rs. 124.18 crore.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

## **PRESS RELEASE**

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