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ICRA assigns LBBB/A3+ ratings to bank facilities of Siporex India Limited; assigns stable outlook

ICRA has assigned "LBBB" (pronounced as L triple B) and "A3+" (pronounced as A three plus) ratings to Rs. 185 crores¹ Fund and Non-Fund Based bank limits of Siporex India Ltd. (Siporex)[†]. The long term rating carries a stable outlook.

The ratings reflect Siporex's experienced management and long track record in the manufacturing of autoclaved concrete blocks/slabs; established brand name; steady demand from Group Company, B.G. Shirke Construction Technologies Pvt. Ltd., healthy revenue growth and robust profit margins. Further, the company's performance has strengthened since FY 2009 because of the additional rental income from the commercial property developed in Pune. The ratings are however constrained by the increased competition in the past four years and presence of substitute products which may lead to pricing pressures in the future. Further, while assigning the rating, ICRA has also taken into consideration the high working capital intensity of the company's business due to its high inventory and debtor days. The ratings are also constrained by the high gearing level until FY 2010, which is likely to further increase going forward because of the incremental debt funded capital expenditure being undertaken by the company.

Company Profile

Siporex India Ltd (Siporex) is part of the Pune based Shrike Group, promoted by Mr. B.G. Shirke and was incorporated in the year 1969 for manufacturing light weight cellular concrete slabs and cement blocks. It was first such company to promote the activity of manufacturing prefabricated slabs and blocks in a factory in India. To promote the technology, Govt. of Maharashtra and institutions like IDBI, IFCI, LIC and MSFC participated in the equity and Shrike family and friends were the main stake holders in the company.

In the later years when the company started generating profits, the management decided to buy back the shares from the outside investors and subsequently de-listed the company from the stock exchange. In September 2007, the company was converted into Private Ltd. and currently 99% of the shareholding is with the Shrike family. The present total capacity of Siporex plant is 2.70 Lakh CuM per year. Going forward, the company plans to further increase its capacity by setting up new plants at Bangalore and Hyderabad with a capacity of 1.50 Lakh CuM each.

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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

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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