
April 16, 2010**CARE ASSIGNS 'PR1' RATING TO THE CP ISSUE OF
NITCO LIMITED**

CARE has assigned a **'PR1' [PR One]** rating to the proposed Commercial Paper (CP) issue of NITCO aggregating Rs.100 crore. The issue would be carved out of the sanctioned working capital limits of the company. This rating is applicable for instruments having tenure up to one year. Instruments with this rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. Within this category, instruments with relatively better credit characteristics are assigned PR1+ rating.

Instrument	Amount (Rs. crore)	Rating
Commercial Paper	100	'PR1'
Total	100	

Rating Rationale

The rating derives strength from the established track record of the company, strong brand name, wide distribution network, very low gearing ratio, comfortable interest coverage ratio and demonstrated ability to raise money from capital markets at regular intervals. The rating also takes cognizance of expected cost savings arising out of shift in NITCO's dependence from Liquefied Petroleum Gas (LPG) to Re-liquefied Natural Gas (RLNG).

However, the rating is constrained by the relatively subdued operational performance during FY09, ongoing slowdown in the end-user real estate industry, intense competition from unorganised players in an industry with low entry barriers and dependence on external suppliers for supply of its major product viz. vitrified tiles. The rating is further constrained by the company's foray into real estate development and consequent project execution risk.

The ability of the company to manage its working-capital requirements in view of the expanding operations, ability to maintain profitability in view of the negative outlook of the real estate industry and depreciation of the Rupee (INR) vis-à-vis the US Dollar (USD) and its impact on the company's profitability margins are the key rating sensitivities.

Company Profile

NITCO started its operations in 1966 and currently offers a variety of tiles along with processed marble. It forayed into real state in FY08 and is developing commercial properties in Thane. In FY09, it discontinued trading in cement and manufacture of mosaic tiles. The company is slowly shifting its focus from institutional clients to retail clients. For FY09, net sales increased only by 4.5% to Rs.666.15 crore as compared to FY08, mainly on the back of replacement demand. Low demand along with rupee depreciation reduced PBILDT of the company by around 9% to Rs.75.25 crore. In the current scenario of slowdown, the extensive distribution network of NITCO will be its strength while usage of cheaper RLNG instead of LPG will improve its profitability in coming years.

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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.

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