

August 01, 2013

CARE REAFFIRMS 'CARE A-' AND 'CARE A2+' RATING TO THE BANK FACILITIES OF VINATI ORGANICS LTD

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities (Term loan)	145.29	CARE A- [Single A Minus]	Reaffirmed
Short-term Bank Facilities (Non-fund based facilities)	32.13	CARE A2+ [A Two Plus]	Reaffirmed
Short-term Bank Facilities (Fund based facilities)	75.00	CARE A2+ [A Two Plus]	Reaffirmed
Total Facilities	252.42		

Rating Rationale

The ratings continue to derive strength from the experience of the promoters in manufacturing speciality organic chemicals, the company's dominant position as the largest global manufacturer of isobutyl benzene (IBB) and 2-acrylamido 2-methylpropane sulfonic acid (ATBS), time-tested relationship and offtake agreements with reputed domestic and international clients, company's moderate financial profile characterised by comfortable leverage and debt coverage indicators.

The ratings, however, continue to be constrained by the product concentration risk, vulnerability of the profitability to volatility in the prices of crude-based raw materials and foreign exchange fluctuations.

VOL's ability to sustain its growth with new products or variants of existing products in a profitable manner and to successfully utilise the incremental capacity considering the slowdown in the European and US economies are the key rating sensitivities.

Background

Incorporated in 1989, Vinati Organics Ltd (VOL) is one of India's leading manufacturers and exporters of specialty organic intermediaries, monomers, and polymers. VOL is the world's largest manufacturer of isobutyl benzene (IBB) and 2-Acrylamido 2-Methylpropane Sulfonic acid (ATBS) with a capacity of 16,000 TPA and 26,000 TPA, respectively as on March 31, 2013. IBB finds application in the manufacturing of Ibuprofen (a non-steroidal anti-inflammatory drug), while ATBS is a specialty monomer which finds multiple applications in operations, such as industrial water treatment, oil field recovery, construction chemicals, hydrogels for medical applications, personal care products, emulsion polymers, detergents, textile print pastes, adhesives and sealants, thickeners and paper coatings. In an effort towards backward integration, VOL had executed a project for its ATBS plant to manufacture isobutylene (IB), which is one of the major raw materials. The IB plant in India is the largest plant with a capacity of 12,000 TPA. Besides, VOL also manufactures Normal Butylbenzene (NBB), Sodium Salt of 2-Acrylamido 2-methylpropanesulfonic Acid (NaATBS), N-Tertiary Butyl Acrylamide (TBA), Hexenes and other industrial monomers on a small scale. The recent addition to its product portfolio includes isobutylene, high purity methyl tert butyl ether (MTBE) and methanol.

During FY13 (refers to the period April 1 to March 31), the company also completed construction of the Diacetone Acrylamide (DAAM) plant with a capacity of 1,000 mtpa. DAAM finds application in coatings, personal care, light sensitive resin additive etc.

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

In FY13, the company has earned a PAT of Rs.68.66 crore (PY Rs.54.81 crore) on a total operating income of Rs.556.59 crore (PY Rs.450.48 crore).

Analyst Contact:

Name: Arunava Paul

Tel # 6754 3667

Mobile # 9820904584

Email: arunava.paul@careratings.com

CARE has classified instrments 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

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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

Mobile : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Mobile +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Vice President – Banks & Financial Services

Mobile: +91-9819698985

Email ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com |

Fax: +91-022- 6754 3457.

KOLKATA | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 |

E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail: mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 | E-mail: swati.agrawal@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-22117140 |

E-mail: dinesh.sharma@careratings.com | Unit No. 8, I floor, Commander's Place, No. 6, Raja Ram Mohan Roy Road, (Opp. P F Office), Richmond Circle, Bangalore - 560 025.

HYDERABAD | **Mr. Saikat Roy** | Tel: +91-40-40102030 |

E-mail: saikat..roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 |

E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 |

E-mail: rahul.jain@careratings.com | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016