

JULY 09, 2015

CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF VINATI ORGANICS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank limits	63.57 (reduced from 83.84)	CARE A+ [Single A Plus]	Revised from CARE A [Single A]
Short-term Bank limits	62.13	CARE A1 [A One]	Reaffirmed
Long Term/ Short Term Bank limits	40.00 (reduced from 45.00)	CARE A+/ CARE A1 [Single A Plus/ A One]	Revised from CARE A [Single A]
Total	165.73		

Rating Rationale

CARE revises long-term rating assigned to bank facilities of Vinati Organics Limited (VOL) on account of VOL's continued healthy operational performance in FY15 (refers to period April 01 to March 31) on account of increase in sales of isobutyl benzene (IBB) and 2-acrylamido 2-methylpropane sulfonic acid (ATBS) and improving margins. As a result the debt coverage indicators and financial risk profile of the company has improved. Total Debt to Gross Cash Accruals (GCA) reduced from 1.49 times in FY14 to 0.47 times in FY15. Further, the overall gearing ratio of the company reduced from 0.53 times at-end-FY14 to 0.15 times at end-FY15.

The rating continues to derive strength from the experience of the promoters in manufacturing speciality organic chemicals, VOL's dominant position as one of the largest global manufacturer of (IBB) and (ATBS) and offtake agreements with reputed domestic and international clients.

However, the rating strengths continue to be tempered by product concentration risk, volatility in the prices of crude-based raw materials & foreign exchange fluctuations and on-going capital expenditure towards de-bottlenecking and new products.

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 European economies are the key rating sensitivities.

Background

Incorporated in 1989, VOL is one of India's leading manufacturers and exporters of speciality organic intermediaries, monomers, and polymers. VOL is one of the world's leading 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.

VOL reported Profit After Tax (PAT) of Rs. 115.79 crore on Total Operating Income (TOI) of Rs. 780.71 crore in FY15 (refer to period April 01 to March 31) as against PAT of Rs. 86.15 crore on TOI of Rs. 702.76 crore in FY14.

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****For detailed Rationale Report and subscription Information, please contact us at www.careratings.com**

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691