

AUGUST 12, 2014

**CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF  
VINATI ORGANICS LTD.**

**Ratings**

| Facilities                            | Amount<br>(Rs. crore) | Ratings <sup>1</sup>                 | Remarks  |
|---------------------------------------|-----------------------|--------------------------------------|--|
| Long-term Bank Facilities             | 83.84                 | CARE A<br>(Single A)                 | Revised from CARE A-<br>(Single A Minus)                       |
| Short-term Bank Facilities            | 62.13                 | CARE A1<br>(A One)                   | Revised from CARE A2+<br>(A Two Plus)                          |
| Long term/ Short term Bank Facilities | 45.00                 | CARE A/ CARE A1<br>(Single A/ A One) | Revised from CARE A-/ CARE A2+<br>(Single A Minus/ A Two Plus) |
| <b>Total Facilities</b>               | <b>190.97</b>         |                                      |  |

**Rating Rationale**

The revision in the rating of the bank facilities of Vinati Organics Ltd (VOL) factors in the improvement in its credit profile on account of continued strong operating performance, reduction in debt, improving liquidity position and the likely conversion of Foreign Currency Convertible Bonds (FCCBs-board approval awaited) which would further strengthen the capital structure. 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, the company's moderately strong financial profile characterised by comfortable leverage and debt coverage indicators.

The ratings, however, continue to be constrained by product concentration risk, volatility in the prices of raw materials (crude-based) 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 slow pace of recovery in European and US economies are the key rating sensitivities.

**Background**

Incorporated in 1989, VOL is one of India's leading manufacturers and exporters of specialty organic intermediaries, monomers and polymers. As on March 31, 2014, 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. IBB finds application in 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 manufactures Isobutylene (IB), one of the key components used in manufacturing ATBS. The IB plant in India is the largest plant with a capacity of 12,000 mtpa. 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),

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

Diacetone Acrylamide (DAAM) and methanol. DAAM finds application in coatings, personal care and light sensitive resin additive etc.

In FY14 (refers to the period April 1 to March 31), the company has earned a PAT of Rs.86.15 crore (PY Rs. 68.66 crore) on total operating income of Rs. 702.76 crore (PY Rs. 556.59 crore).

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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.