

June 3, 2010

CARE ASSIGNS 'CARE BB' AND 'PR4' RATINGS TO THE BANK FACILITIES OF CETEX PETROCHEMICALS LTD**Ratings Assigned**

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long Term Bank Facilities	35.08	CARE BB (Double B)	Assigned
Short Term Bank Facilities	5.00	PR 4 (PR Four)	Assigned
Long Term/Short Term Bank Facilities	15.00	CARE BB/PR 4	Assigned
Total Facilities	55.08		

Rating Rationale

The rating factors in the small size of operations of CPL, financial risk profile characterised by high gearing, tight liquidity position, overdrawal in CC account, restructuring of term loans and under utilisation of key assets namely the Fine Chemicals Facility and Acid Concentration Plant which were initially put up with significant amount of debt funding. The rating also takes into account the weak competitive position of CPL in the Methyl Ethyl Ketone (MEK) and Secondary Butyl Alcohol(SBA) market even though it is the only manufacturer in India, due to the relatively small capacities and import substitutability of the products. The rating also factors in the track record of the company and technical background of the promoters.

Ability of the company to increase the sales of fine chemicals and derive the expected benefits from acid concentration plant and at the same time sustain sales in the MEK/SBA business will be key rating sensitivities.

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

Company Profile

CPL is the only manufacturer of Methyl Ethyl Ketone (MEK) in the country and has a manufacturing capacity of 5,000 MT per annum. CPL also manufactures Secondary Butyl Alcohol (SBA), an intermediate obtained in the manufacturing of MEK and has an installed capacity of 8,500 MT per annum. The manufacturing facilities of CPL are situated in the Manali Industrial Belt near Chennai. CPL is now owned by Mr. Pattu and Mr. Hanahai, the Executive Chairman and Managing Director respectively. For the year ended March 31, 2009, CPL posted a PAT of Rs.62 lakh on a total income of Rs.72cr. For the 9 months ended Dec'09, CPL posted a PBT of Rs.1cr on a total income of Rs.36cr.

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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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