

September 14, 2010

**CARE ASSIGNS 'CARE BBB+' & 'PR2+' RATING TO BANK FACILITIES OF DEEPAK NOVOCHEM TECHNOLOGIES LTD.**

<b><i>Ratings</i></b> <b>Facilities/Instruments</b>	<b>Amount</b> <b>(Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	28.49	'CARE BBB+' (Triple B Plus)	Assigned
Short-term Bank Facilities	5.00	'PR2+' (PR Two Plus)	Assigned
<b>Total Facilities</b>	<b>33.49</b>		

**Rating Rationale**

The rating derives strength from the favourable market position of the group company - Deepak Nitrite Ltd. (DNL) in the chemical industry, marketing arrangement with DNL, leading market position of Deepak Novochem Technologies Limited (DNTL) as a manufacturer of high margin speciality chemicals, DNTL's technical expertise, favourable financial profile characterised by high profitability margins, comfortable debt-service coverage indicators and healthy return ratios.

The rating is, however, constrained by limited track record, the relatively small scale of operations, product concentration risk, profitability vulnerable to the volatility in the prices of crude-based raw materials, although risk is partially mitigated by the ability to pass on the price rise due to the specialty nature of its product, significant dependence on the agrochemicals industry and foreign exchange fluctuation risk.

The ability of the company to successfully commercialise various new products in the market and reduce the concentration of sales from a few products and maintain the healthy financial profile are the key rating sensitivities.

**Company Profile**

DNTL, whose group company is Deepak Nitrite Ltd, was incorporated in the year 2007 by Mr. D.C. Mehta and Mr. C. K. Mehta. The company commenced its business by acquiring the assets of Filtra Catalysts and Chemicals Ltd.

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

DNTL is one of the world's largest producer of a high margin Xylidine variant, which finds application in agrochemicals and pharmaceuticals. It also manufactures other fine and specialty chemicals.

The net sales of the company grew at a CAGR of 148% during FY08-10. The overall gearing of the company stood at 0.48x as on March 31, 2010. Interest coverage for FY10 was comfortable at 11.66 times.

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