
September 3, 2010

**CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATING TO THE BANK FACILITIES OF
KANDLA ENERGY & CHEMICALS LTD**

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	51.20	'CARE BBB-' (Triple B Minus)	Assigned
Short-term Bank Facilities	36.00	'PR3' (PR Three)	Assigned
Total Facilities	87.20		

Rating Rationale

The ratings derive strength from the experience of promoters in the petrochemical business, financial support from the promoters in the form of unsecured loans, locational advantage of the plant, comfortable margins, comfortable gearing and healthy interest coverage ratios.

The ratings are however constrained by steep scale-up in the operation envisaged, past record of stretched cash flows due to significant scale up in operations, short track record of operations, volatility in the key raw material prices and foreign exchange risk.

Further, the ability to efficiently manage working capital requirement amidst growing scale of operations are the key ratings sensitivities.

Company Profile

Kandla Energy & Chemicals Limited (KECL) was incorporated in March 2005 as Bhagwati Remedies Private Limited (till May 2009) and is engaged in the manufacturing of aromatic and aliphatic solvents at Kutch, Gujarat. The plant was commissioned in June 2007 with 12,000 KLPA which was enhanced to 1,20,450 KLPA in December 2009. The company is

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

promoted by Mr. Sanjay Rai, Managing Director of KECL. Mr. Rai has more than 16 years of experience in the petrochemical business. The company clocked net sales of Rs.53.75 crore and PAT of Rs.3.22 crore as per audited FY09. As per provisional FY10 results KECL reported net sales of Rs.71.95 core and PAT of Rs.6.55 crore.

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CARE has 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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