

September 29, 21010

**CARE ASSIGNS 'CARE A+' RATING TO THE NCD ISSUE OF
MEGHMANI ORGANICS LTD.****Rating**

Instrument	Amount (Rs. crore)	Rating¹	Remark
Proposed Non-Convertible Debenture Issue	100.00	'CARE A+'	Assigned
Total	100.00		

Rating Rationale

The rating favourably takes into account MOL's experienced management team, its established & diversified presence in the agrochemical & pigment industry, integrated production facilities, strong marketing & distribution network, comfortable financial risk profile marked by low gearing levels on standalone basis, healthy profitability margins & comfortable debt servicing parameters. The rating is however constrained by the working capital intensive nature of operations arising out of the seasonality of its business, risk associated with the fluctuations in raw material prices, foreign exchange rates and operations of its 57% subsidiary Meghmani Finechem Limited (MFL; rated CARE BBB-) which is yet to stabilize. Timely completion and stabilization of ongoing project of Agrochemical segment, higher than expected financial support to its subsidiaries and overall improvement in its financial risk profile on a consolidated level are the key rating sensitivities.

Company Profile

MOL, established in 1995, is engaged in manufacturing and marketing of a range of Pigments and Agro Chemicals, with a major focus on the global markets. Agrochemical division and Pigment division contributed 57% and 39% of total income respectively in FY10. MOL has six manufacturing plants in India and an established domestic & export marketing network to support its global as well as India focused initiatives. MOL is expanding capacity of manufacturing of agrochemical products which has partly commissioned in July 2010.

MOL had set-up a Chlor-Alkali project having installed capacity of 112000 MTPA alongwith 40 MW coal based power plant in its 57% subsidiary company MFL with the total project cost of Rs.556 crore, funded with the project debt equity ratio of 2 times. Since, the commencement of operations in Q2FY10, overall caustic-chlorine industry is facing severe price pressure due to cheaper import from neighbouring countries, which affected MFL also. Though, MOL has not extended any corporate guarantee for MFL's debt, MOL's propensity to support MFL is crucial.

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

During FY10, MOL (standalone) reported PAT of Rs.61 crore on total income of Rs.766 crore against PAT of Rs.51 crore on total income of Rs.795 crore in FY09. MOL (consolidated) reported PAT of Rs.40 crore on total income of Rs.860 crore in FY10. MFL, which has yet not stabilized the operations, marginally dragged down the profitability on a consolidated level.

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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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