

June 15, 2010

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF NAVIN FLUORINE INTERNATIONAL LTD.**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	75.22 (revised from Rs.104.31 cr)	'CARE A' (Single A)	Reaffirmed
Short-term Bank Facilities	65 (enhanced from Rs.55 cr)	'PR1' (PR One)	Reaffirmed
Total Facilities	140.22		

Rating Rationale

The ratings continue to derive strength from well-established position of the company in the fluorochemicals segment, diversified product portfolio, comfortable leverage and debt protection indicators. The ratings also factor in substantial income received from the sale of Certified Emission Reductions (CERs) and consequent improvement in the financial performance in FY09 in terms of improved profitability margins.

The ratings are, however, constrained by continuing financial support in the form of loan and advances to group companies to settle debt obligation of Mafatlal Industries Limited (MIL), risk arising out of the volatility in the prices of CERs and key raw material fluorspar, lack of clarity of revenues from carbon credit business after FY13 and marginal decline in the liquidity ratios despite the improved financial profile due to financial support extended to the group.

Future development in the carbon credit market amidst the current uncertainty arising after the Copenhagen Summit and utilisation of the improved cash accruals to consolidate its position in various product segments especially in specialty fluorochemical division are the key rating sensitivities.

¹Complete definition of the ratings assigned are available at www.careratings.com

Company Profile

Promoted by Arvind Mafatlal Group (AMG), NFIL is in the business of manufacturing of synthetic cryolite, aluminium fluoride, fluorocarbon gases, hydrofluoric acid and other fluorine chemicals. Company is also eligible for carbon credits upto December 2012, which has substantially improved the financial profile of the company. On a total income of Rs.418 crore, NFIL earned a PAT of Rs.45 crore in FY09. During 9MFY10, net sales of the company were Rs.309 crore as compared to Rs.308 crore in 9MFY09. However, its net profit increased by 76% to Rs.71 crore in 9MFY10 due to the reduction in the raw material cost.

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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