

May 5, 2010

**CARE REAFFIRMS THE RATING OF BANK FACILITIES OF
PARAMOUNT MINERALS AND CHEMICALS LIMITED**

CARE has reaffirmed the rating of '**CARE BBB**' [**Triple B**] assigned to the Long-term Bank Facilities of Paramount Minerals and Chemicals Limited (PMCL). This rating is applicable to facilities having tenure of more than one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk. Further, CARE has reaffirmed the rating of '**PR3**' [**PR Three**] assigned to the Short-term Bank Facilities of PMCL. This rating is applicable to facilities having a tenure upto one year. Facilities with this rating would have moderate capacity for timely repayment of short-term debt obligations at the time of rating and carry higher credit risk.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Instrument	Amount (Rs. crore)	Rating
Long-term Bank Facilities	30.10	CARE BBB
Short-term Bank Facilities	27.75	PR3
Total	57.85	

Rating Rationale

The rating continues to derive strength from PMCL's proven track record in Optical Brightening Agent (OBA) industry, diversified end-user base and the extended support by the promoter group in the form of unsecured loans. The ratings also factor the cost savings arising out of in-house Diamino Stilbene Disulfonic Acid (DASDA) manufacturing unit and the likely benefits accruing out of the proposed captive power plant. The rating also considers improving performance of the company in H1FY10 in terms of revenues and profitability.

The ratings are however constrained by the small size of operations and increasing concerns on raw material availability. The rating is further constrained by the deteriorated financial profile in FY09 characterized by drop in revenues, cash loss, strained liquidity position reflected in stressed current ratio and high overall gearing ratio.

Besides ability of PMCL to ensure continuous supply of raw materials and pass on the increase in input prices to improve profitability remain key rating sensitivities.

Company Profile:

PMCL incorporated in February 1975, by the Poddar and Sanghai group is engaged in the manufacturing of OBA, also referred as Fluorescent Whitening agents (FWA) and markets its 42 products under the brand "PARAWHITE". These products find extensive usage in the detergents, paper and textile industries.

On a total income of Rs.63.64 crore, PMCL incurred a net loss of Rs.2.48 crore in FY09. On sales of Rs.38.33 crore, the company achieved PAT of Rs.2.07 crore in H1FY10.

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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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