

August 16, 2010

CARE REAFFIRMS RATINGS OF BANK FACILITIES AND STD OF PHILLIPS CARBON BLACK LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term bank facilities	516.2 (reduced from Rs.539.4 crore)	'CARE A+' (Single A plus)	Reaffirmed
Short-term bank facilities	Rs.1,000.0 crore	'PR 1+' (PR One plus)	Reaffirmed
Short-term debt (including Commercial Paper)*	Rs.50.0 crore	'PR 1+' (PR One plus)	Reaffirmed

**earmarking tied-up fund-based working capital bank limit.*

Ratings Rationale

The aforesaid ratings continue to derive strength from the long track record of the company, leadership position in the domestic carbon black (CB) industry, its internationally accepted products with reputed clientele, company's having captive power plant at all the units with power providing steady alternate revenue stream and favourable industry scenario for the tyre sector. Significant improvement in the overall performance of the company in FY10 and equity infusion by way of QIP issue in April, 2010 also support the ratings. The ratings also factor in the risk of volatility in raw material & finished goods prices, risks associated with implementation of the ongoing project, non-availability of quality raw material in the domestic market, stringent pollution norms for industry and cyclical nature in the CB industry alongwith complete dependence on the fortune of tyre industry. Future prospects of the tyre industry, sustainability of turnover level & margins and successful implementation of the ongoing projects will remain the key rating sensitivities.

Company Profile

Incorporated in 1960, Philips Carbon Black Limited (PCBL), belonging to the RPG group, is the leading producer of CB in the country (with 38% market share) and eighth largest in the world with an overall installed CB manufacturing capacity of 3,60,000 mtpa. Further, PCBL also has power plants (CPP) at all its locations which, besides meeting the company's captive requirement, act as a steady alternative revenue stream. In April 10, there was equity infusion of Rs.99.3 crore through QIP route.

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

PCBL is, currently, expanding its aggregate CB & CPP capacity, at an aggregate cost of Rs.155.0 crore. These projects are expected to be on stream, in phases, by June 2011. On total income of Rs.1,256.8 crore, PCBL earned PBILDT and PAT (after defd. tax) of Rs.181.6 crore and Rs.122.7 crore, respectively in FY10. Long-term debt equity ratio was 1.19 and overall gearing ratio was 1.90 as on Mar.31, 2010.

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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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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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