

September 8, 2010

**CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF
TAMILNADU PETROPRODUCTS LIMITED**

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	133.43	'CARE BBB' (Triple B)	Revised from CARE BBB- [Triple B minus]
Long / Short-term Bank Facilities	48.95	CARE BBB/ PR3 (Triple B/ PR three)	Revised from CARE BBB- /PR3
Total Facilities	182.38		

Rating Rationale

The revision in the long term rating reflects the improved financial performance of TPL during FY10. The ratings continue to factor in the long track record of TPL, improving performance of the LAB business, low overall gearing and steps taken by the management to impart stability to the profit margins of LAB division. The ratings also factor in the position of TPL in the LAB market, likely continuance of the oversupply situation in the LAB market in the medium term, less than satisfactory financial performance of the ECH and Heavy Chemicals Division (HCD), which, to some extent will offset the improvement in the LAB business, low profitability parameters and significant levels of exposures to subsidiaries, some of which are unlikely to yield positive returns in the medium term. Notwithstanding the improvement in financial performance during FY10, the credit risk posed by TPL continues to be highly sensitive to the variation in cash flows arising out of volatility in prices of key raw materials like Benzene, Kerosene, Fuel Oil and Propylene.

In this context, the ability of the company to sustain the improvement in performance observed in FY10, company refraining from taking any major debt funded expansion and absence of fresh investments in subsidiaries/ group companies would be key rating sensitivities.

Company Profile

TPL is a joint venture between SPIC Ltd. and Tamilnadu Industrial Development Corporation (TIDCO). TPL is one of the leading Indian manufacturers of Linear Alkyl Benzene (LAB) with a production capacity of 120,000 MTPA. TPL also has facilities to manufacture 10,000 TPA of Epichlorohydrine (ECH) apart from caustic soda (56,100

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

MTPA) and chlorine (40,000 MTPA). The financial performance of TPL improved significantly during FY10 on the back of improvement in LAB division's performance. During FY10, TPL reported a PAT of Rs. 11 cr on a total operating income of Rs.905 cr as against PAT of Rs.7 cr on a total operating income of Rs.943 cr for FY09.

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