

October 25, 2010

**CARE REAFFIRMS THE RATING ASSIGNED TO BANK FACILITIES OF
THIRUMALAI CHEMICALS LTD.****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	197.19 (reduced from Rs.201.33 crore)	'CARE BBB' (Triple BBB)	Reaffirmed
Short-term Bank Facilities	251.00	'PR3' (PR Three)	Reaffirmed
Total Facilities	448.19		

Rating Rationale

The ratings continue to derive strength from TCL's long track record with experienced management, major player in the domestic Phthalic Anhydride (PAN) market, improvement in financial performance during FY10 and back-to-back arrangements for a major portion of sales. The rating also factors the shift towards domestic procurement of raw materials, reducing the foreign exchange rate risk.

The ratings are constrained by volatility in raw material as well as finished goods prices, exposure towards Malaysian JV which is under liquidation, competition with other players as well as imports of PAN and planned expansion of capacities in the domestic PAN market which may bring pricing pressures.

The ability of TCL to maintain margins in light of the pricing pressure and successful settlement of liquidation process of its Malaysian JV with no major obligation devolving on the company are the key rating sensitivities.

Company Profile

Thirumalai Chemicals Limited is the largest player in the domestic Phthalic Anhydride (PAN) market in installed capacity terms with its installed capacity of PAN at 1,40,000 MTPA. Apart from PAN, TCL also had capacities in Maleic Anhydride (MAN) at 12,000 MTPA, Food Acids at 17,000 MTPA and Phthalate Esters at 6,000 MTPA as on March 31, 2010.

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

During FY10, TCL clocked net sales of Rs.618 crore, a y-o-y increase of 33%. Further TCL reported a PAT of Rs.26 crore during FY10 as against net loss of Rs.46 crore during FY09. During Q1FY11, TCL's net sales were at Rs.194 crore and PAT was Rs.4 crore.

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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.

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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