Press Release

October 22, 2009

CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF 20 MICRONS LTD.

CARE retained '**CARE BBB' (Triple B)** rating to the long-term bank loans / facilities and '**PR 3+' (PR Three Plus)** rating to the short-term bank loans/facilities of 20 Microns Ltd. (TML) for an aggregate amount of Rs.59.18 crore.

Facilities with 'Triple B' rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk. This rating is applicable for facilities having tenure of more than one year. Facilities with 'PR Three' rating would have moderate capacity for timely repayment of short term debt obligations at the time of rating and carry higher credit risk as compared to facilities rated higher. This rating is applicable for facilities having tenure up to one year. *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.*

Facility	Amount (Rs. Crore)	Rating
Long-term bank facilities	48.93	'CARE BBB'
Short-term bank facilities	9.75	'PR 3+'
Long-term/Short-term bank facilities	0.50	'CARE BBB'/'PR 3+'

Rating Rationale

The ratings take into account TML's long and established track record in the micronised minerals industry, operating captive mines, geographical spread of its manufacturing facilities in a logistics intensive industry and diversified clientele. However, the ratings are constrained by its modest financial risk profile as reflected by the deterioration in profitability in FY09, project risk associated with a predominantly debt funded future capex especially in the backdrop of an already moderate overall gearing and competition from players in the organised as well as unorganised sector.

Company Profile

Baroda-based TML, incorporated in 1987, is one of the largest players in the organised sector of the white minerals industry in India. The micronised minerals produced by TML are used as functional fillers and extenders in industries such as paints, plastics, paper & ceramics, etc. Its product-wise sales mix during FY09 comprised of carbonates (42%), clay (23%) and speciality chemicals (9%).

In April 2003 TML had to avail the CDR package and it finally made an exit from the same in early 2008 by paying re-compensation amount. TML also came out with a successful IPO in FY09.

Total income of TML grew by 28.62% in FY09 compared to FY08 on account of growth in manufacturing as well as trading sales. However, its PBILDT margin declined from 14.08% in FY08 to 12.24% in FY09 due to its inability to fully pass on the increased raw material costs to its customers in the backdrop of the slowdown in the economy apart from the higher transportation expenses. PAT margin also reduced from 4.22% in FY08 to 0.97% in FY09 mainly on account of one time restructuring (recompense) fees of Rs.3.71 crore (pertaining to Apr.2003 to Dec.2007) paid to banks for restructuring of loan taken in past. Its overall gearing ratio deteriorated marginally in spite of equity infusion mainly due to increase in bank borrowings for working capital and it stood at 1.37 times as on March 31, 2009. As on March 31, 2009, current ratio remained low at 1.06 times mainly due to increase in bank borrowings. For Q1FY10, TML reported a PAT of Rs.3.15 crore on a total income of Rs.47.27 crore.

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