December 11, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE COMMERCIAL PAPER OF ATUL LIMITED

Rating

Instrument	Amount (Rs. crore)	Rating[1]	Remarks
Commercial Paper (CP)	200.00 (enhanced from 150.00)	**CARE A1+ (A One Plus)**	Reaffirmed
Total Instrument	**200.00 (Rupees Two Hundred Crore only)**		

Rating Rationale

The rating continues to derive strength from the wide experience of the promoters and competent management of Atul Ltd. (Atul), its established track record and strong position in the chemical industry with diversified product portfolio, its leadership position in some of the high-value products, strong R&D setup and established customer base. The rating also factors in the sustained improvement in business and financial risk profile of Atul during FY15 (refers to the period from April 1 to March 31) and Q1FY16 aided by gradual shift in its product mix over last few years largely insulating its performance despite changes in external factors.

The long-term rating is, however, constrained by its exposure to raw material price volatility (which are linked to international crude oil prices), foreign exchange rate fluctuations and its operations in an increasingly stringent pollution control environment.

Atul's ability to improve its performance even amidst the adverse business environment, insulate its profitability against raw material price-risk and exchange rate movements, stabilization of the projects and ensuring continuous adherence to the prevailing pollution control norms are the key rating sensitivities.

Background

Atul was originally promoted by Late Shri Kasturbhai Lalbhai in 1947 as Atul Products Ltd. as a step towards backward integration of their cotton textile business and was later renamed to Atul Ltd. in 1996. It has one of the biggest integrated chemical complexes in Asia with a well diversified product portfolio of around 920 products and 460 formulations divided into two segments viz. Life Science Chemicals (LSC) and Performance & Other Chemicals (POC) catering to the requirement of diversified industries like textile, paints, agriculture, fragrance & flavours, tyre, paper, pharmaceutical, aerospace, construction, etc. It has manufacturing facilities located at Ankleshwar and Valsad in Gujarat & Tarapur in Maharashtra.

During FY15 (refers to the period April 1 to March 31), Atul has reported a total operating income of Rs.2561.63 crore (FY14: Rs.2372.79 crore) with a PAT of Rs.217.42 crore (FY14: Rs.212.79 crore). As per the provisional results for H1FY16, Atul has reported a total operating income of Rs.1232.31 crore with a PAT of Rs.144.51 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

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

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