AUGUST 16, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES AND CP ISSUE OF ATUL LTD.

Ratings

Bank Facilities / Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	342.00	**CARE AA+ (Double A Plus)**	**Reaffirmed**
Short-term Bank Facilities	88.00	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total Bank Facilities	**430.0 (Rupees Four Hundred Thirty Crore Only)**		
Commercial Paper (CP)	200.00	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total Instruments	**200.00 (Rupees Two Hundred Crore Only)**		

Rating Rationale

The ratings continue 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 ratings also factor sustained improvement in business and financial risk profile of Atul during FY16 (refers to the period from April 1 to March 31) and Q1FY17 aided by gradual shift in its product mix over last few years largely insulating the company's overall performance from sharp fluctuations despite changes in external factors; albeit there was moderation in the performance of its 'colours' division during FY16.

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 presence in the cyclical chemical industry which is also susceptible to increasingly stringent pollution control environment.

Atul's ability to significantly increase its scale of operations through greater foray in to value-added products, largely insulate its profitability against raw material price volatility and foreign exchange rate movements as well as in a scenario of adverse business environment, generate envisaged returns from planned projects after its timely stabilization and ensure continuous adherence to prevailing pollution control norms shall be 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. It has marketing offices in USA, UK, Germany, UAE, China, Brazil etc.

During FY16 (refers to the period April 1 to March 31), Atul has reported a total operating income of Rs.2478 crore (FY15: Rs.2562 crore) with a PAT of Rs.268 crore (FY15: Rs.217 crore). As per the un-audited results for Q1FY17, Atul has reported a total operating income of Rs.675 crore with a PAT of Rs.81 crore.

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

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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.

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