

SEPTEMBER 01, 2015
CARE PLACES THE RATING OF HINDUSTAN ORGANIC CHEMICALS LIMITED UNDER 'CREDIT WATCH'
Ratings

Instrument	Amount (Rs. crore)	Ratings ¹	Remarks
Redeemable Non-Convertible Unsecured Taxable Bonds / NCD*	100	CARE AAA(SO) 'under credit watch' [Triple A (Structured Obligation) (Credit Watch)]	Placed on credit watch

**backed by unconditional and irrevocable guarantee from the Government of India (GoI) for timely payment of interest and repayment of principal subject to terms and conditions and structured payment mechanism as per the guarantee/trusteeship document submitted to CARE. The GOI guarantee will continue to be valid even in the event of referral of Hindustan Organic Chemicals Limited (HOCL) to the Board for Industrial & Financial Reconstruction (BIFR) under SICA, 1985.*

Rating Rationale

CARE has placed the rating assigned to the bond issue (Series XX) of HOCL under credit watch.

As per the structure of issue, GoI or HOCL had to fund the designated escrow account on specified date towards yearly interest payment. The funds have not been deposited on specified date. CARE would closely monitor the developments with regards to funding of the escrow account and payment of interest to the bondholders.

Background

Incorporated on December 12, 1960, HOCL, a GoI enterprise (of which GoI holds 58.78% equity as on March 31, 2015) and under the administrative control of Department of Chemicals & Petrochemicals (DCPC) - Ministry of Chemicals and Fertilizers, manufactures organic chemicals (aniline, phenol, acetone, formaldehyde, etc). HOCL has two manufacturing facilities situated at Rasayani, Maharashtra and Kochi, Kerala with a combined installed capacity of 349,495 TPA. Also, HOCL is the sole indigenous manufacturer of the liquid rocket propellant N2O4 in India, which is supplied to ISRO.

During FY15 (refers to the period April 1 to March 31), HOCL reported a net loss of Rs.215.49 crore on a total operating income of Rs.152.48 crore as compared with net loss of Rs.176.85 crore on a total operating income of Rs.218.09 crore during FY14. In Q1FY16, HOCL reported a net loss of Rs.34.37 crore on a total operating income of Rs.62.22 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.

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

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.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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