

SEPTEMBER 10, 2015

**CARE REVISES THE RATING ASSIGNED TO THE BOND ISSUE (SERIES XX) OF
 HINDUSTAN ORGANIC CHEMICALS LIMITED: CREDIT WATCH REMOVED**
Ratings

Instrument	Amount (Rs. crore)	Ratings ¹	Remarks
Redeemable Non-Convertible Unsecured Taxable Bonds / NCD*	100	CARE D	Revised from CARE 'AAA(SO)' (Triple A Structured obligation); credit watch removed

***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 assigned the rating solely based on the strength of an unconditional and irrevocable guarantee from GoI executed through the Department of Chemicals & Petrochemicals, Ministry of Chemicals and Fertilizers. The rating has been revised to CARE D. The revision was on account of failure to fund the designated account (as per the structured payment mechanism specified in the offer document) leading to delay in interest payment to the bondholders. Rating watch has been removed.

Now CARE has been informed that the designated account has been funded on September 10th, 2015.

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



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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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