OCTOBER 23, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE NCD ISSUE AND CP ISSUE OF MEGHMANI ORGANICS LTD

Ratings

Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Non-Convertible Debenture Issue	50.00	**CARE A (Single A)**	Reaffirmed
Commercial Paper Issue #	50.00	**CARE A1 (A One)**	Reaffirmed
Total Instruments	**100.00 (Rupees One Hundred Crore Only)**		

 # carved out of sanctioned fund based working capital limits

Rating Rationale

The ratings continue to draw strength from Meghmani Organics Ltd's (MOL) experienced management team, its established and diversified presence in the agrochemical and pigment industry with integrated production facilities and strong marketing and distribution network and comfortable capital structure. The ratings factor in successful relocation of one of its manufacturing facilities and improving profitability trend. The rating also factor in improvement in financial risk profile of its subsidiary Meghmani Finechem Ltd. (MFL) leading to MOL's reduced propensity to support MFL.

The ratings are, however, constrained by MOL's working capital intensive nature of operations arising out of the seasonality of its business, tight debt coverage indicators in the short-term, risks associated with the fluctuations in raw material prices and foreign exchange rates and stricter pollution control norms affecting the utilization of installed capacities.

Improvement in capacity utilisation of its manufacturing facilities, seamless compliance with pollution control norms along with overall improvement in its financial risk profile are the key rating sensitivities.

Background

Established in 1995, MOL is engaged in manufacturing and marketing of a range of Pigments and Agro Chemicals, with a strong focus on the global markets. MOL has seven manufacturing plants in and around Ahmedabad and Bharuch in India and a strong domestic and export marketing network to support its global as well as India focused initiatives. MOL has also established its presence in the chlor-alkali business via. its subsidiary MFL (57.16% stake).

During FY15 (refers to the period April 1 to March 31), MOL on a standalone basis reported a total operating income of Rs.975.29 crore (FY14: Rs.927.27 crore) with a PAT of Rs.26.22 crore (FY14: Rs.11.58 crore). As per provisional results for Q1FY16, MOL on a standalone basis reported a total operating income of Rs.249.00 crore with a PAT of Rs.6.31 crore.

During FY15, MOL on a consolidated basis reported a total operating income of Rs.1309.90 crore (FY14: Rs.1211.99 crore) with a PAT of Rs.46.81 crore (FY14: Rs.35.47 crore). As per provisional results for Q1FY16, MOL on a consolidated basis reported a total operating income of Rs.338.58 crore with a PAT of Rs.14.91 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.

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

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