FEBRUARY 18, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF METROGLOBAL LTD.

Ratings

Bank Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	35.00	**CARE BBB+ (Triple B Plus)**	**Revised from CARE BBB (Triple B)**
Short term Bank Facilities	15.00	**CARE A2 (A Two)**	**Revised from CARE A3+ (A Three Plus)**
Total Facilities	**50.00 (Rupees Fifty Crore Only)**		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Metroglobal Limited (MGL) takes into account the improvement in its scale of operations along with comfortable financial risk profile and comfortable liquidity position as well as steady income from various real estate projects wherein it has investments. The ratings continue to derive strength from the vast experience of the promoters of MGL in the dyes & dye intermediates and chemical business along with its large clientele in the trading business.

The ratings, however, continue to remain constrained on account of risk associated with trading nature of operations, exchange rate fluctuation risk, cyclical nature of chemical industry and risks associated with significant investments in real estate sector.

Ability of MGL to maintain profitability with increasing scale of its operations along with timely realization of envisaged return from its investments in real estate projects and the size of any future acquisitions would be the key rating sensitivities.

Background

MGL, promoted by Mr. Gautam Jain, is engaged in the business of trading of dyes and dye intermediates. Initially, it was promoted by Mr. Gautam Jain as Rahul Dye Chem Industries Pvt. Ltd. (RDIPL) in 1987. Subsequently, it was converted into a public limited company in 1993 and the name of the company was changed to Metrochem Industries Ltd. (MIL). MIL had manufacturing facilities at Ahmedabad and Vadodara for production of dyes and dye intermediates. In 2009, MIL demerged its Vadodara unit (comprising almost 90% of its manufacturing capacity) and sold it to Huntsman International (India) Pvt. Ltd. (HIPL). It also entered into three years non-compete agreement with HIPL. In FY11 (refers to the period from April 1 to March 31), MIL had a reverse merger with Global Boards Ltd (GBL) by amalgamating itself with GBL and the name of the company was changed to MGL. MGL has made substantial investments in several ongoing real estate projects in and around the city of Ahmedabad out of the sale proceeds of its Vadodara unit.

During FY15, MGL reported a total operating income of Rs.392.62 crore (FY14: Rs.272.15 crore) with a PAT of Rs.23.53 crore (FY14: Rs.22.96 crore). As per the provisional results for H1FY16, MGL has reported a total operating income of Rs.138.39 crore with a PAT of Rs.10.27 crore.

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

****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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