

July 19, 2011

CARE ASSIGNS A 'CARE A-' AND 'CARE A2+' TO THE BANK FACILITIES OF VINATI ORGANICS LTD.

Ratings

| Facilities/Instruments | Amount (Rs. crore) | Ratings¹ | Remarks |
|-------------------------------|-------------------------------|---|----------------|
| Long-term Bank Facilities | 91.16 | 'CARE A-' [Single A Minus] | Assigned |
| Short-term Bank Facilities | 69.00 | 'CARE A2+' [A Two Plus] | Assigned |
| Total Facilities | 160.16 | | |

Rating Rationale

The ratings derive strength from the experience of the promoters of Vinati Organics Ltd. (VOL) in manufacturing speciality organic chemicals, the company's dominant position as the largest global manufacturer of isobutyl benzene (IBB) and the second largest manufacturer of 2-acrylamido 2-methylpropane sulfonic acid (ATBS), time-tested relationship and offtake agreements with reputed domestic and international clients, buoyant growth prospects in ATBS and its derivatives and the company's strong financial profile characterised by healthy operating margins, comfortable leverage and debt coverage indicators.

The ratings are, however, constrained by stagnating growth of IBB, substantial exposure to the export markets, product concentration risk and the vulnerability of the profits to volatility in the prices of crude-based raw materials and foreign exchange fluctuations, the risk being partially mitigated by the company through price escalation clauses in the contracts with VOL's customers and natural hedge available. The ratings also factor the project execution risk on the capacity expansion programmes embarked upon, which are sizeable relative to the company's current net worth.

VOL's ability to sustain its growth with new products or variants of existing products in a profitable manner and to successfully implement and stabilize the ongoing capacity expansion programme without any significant cost or time over-runs are the key rating sensitivities.

Company Profile

Incorporated in 1989 by Mr Vinod Saraf, VOL is one of India's leading manufacturers and exporters of speciality organic intermediaries, monomers, and polymers. VOL has positioned itself as the largest manufacturer of IBB, one of the main raw materials for manufacturing ibuprofen, an analgesic drug and the second largest manufacturer of niche specialty product ATBS, in the world.

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

VOL reported a PAT of Rs.52 crore on total operating income of Rs.326 crore in FY11, as against a PAT of Rs.40 crore on total operating income of Rs.241 crore in FY10.

Analyst Contact:

Name: Smita Rajpurkar

Tel # (022) 67543451

Email: smita.rajpurkar@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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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. P N Sathees Kumar

Executive Vice President – Marketing

Mobile: +91-9820416004

mail:sathees.kumar@careratings.com

Mr. Ankur Sachdeva

Vice President – Marketing (SME)

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

| | |
|---|---|
| <p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p> | <p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p> |
| <p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p> | <p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91600 74789 E-mail: ashwini.jani@careratings.com</p> |
| <p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p> | <p>Ms.Swati Agrawal Regional Manager 3rd floor, B-47, Inner Circle Near Plaza Cinema Connaught Place New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p> |