

July 22, 2010

**CARE ASSIGNS A 'CARE BBB-' AND 'PR3' RATING TO BANK FACILITIES OF I G PETROCHEMICALS LTD.****Ratings Assigned**

<b>Facilities/Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	184.21	<b>'CARE BBB-' (Triple B Minus)</b>	Assigned
Short-term Bank Facilities	70.00	<b>'PR3' (PR Three)</b>	Assigned
<b>Total Facilities</b>	<b>254.21</b>		

**Rating Rationale**

The ratings derive strength from the experience of management in the business, operating efficiency due to proximity of its facility to sources of raw materials as well as customers and improved financial position in FY10 in terms of profitability, interest coverage and cash accruals. Further, the rating factors in long-term volume contract for raw material sourcing leading to assurance of supply, back-to-back sales contract for major portion of its total sales and favourable demand scenario with revival in the economy.

The ratings are constrained by the commodity nature of its business leading to limited pricing power, volatility in raw materials prices and project risk associated with debt-funded expansion. The rating also considers the re-schedulement of debt in FY09.

The ability of IGPL to generate adequate internal accruals committed for the expansion project without creating any liquidity strain and successful implementation of the project within the estimated time and cost are the key ratings sensitivities.

**Company Profile**

I G Petrochemicals Limited (IGPL), the flagship company of the Dhanuka group, was established in 1988 and is primarily in the manufacturing of Phthalic Anhydride (PAN). IGPL has its manufacturing facilities located at Taloja, Maharashtra with an installed capacity of 1,10,000 MTPA. The company plans to expand its capacity by 50,000 MTPA at the existing location.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

IGPL registered PAT of Rs.27 crore on net sales of Rs.542 crore in FY10. As on 31<sup>st</sup> March 2010, the overall gearing of the company was 0.27x.

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***CARE classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.***

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