

September 24, 2010

**CARE UPGRADES THE RATING OF BANK FACILITIES OF
ABHISHEK INDUSTRIES LIMITED**

Rating assigned

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1275	'CARE BBB+' (Triple B Plus)	Revised from CARE BBB [Triple B]
Short-term Bank Facilities	638	'PR2+' (PR Two Plus)	Revised from PR2 [PR Two]
Total Facilities	1913		

Rating Rationale

The revision in the ratings takes into consideration improvement in operating and financial performance of the company in FY10, completion and stabilisation of expansion projects undertaken in last 2 years. The ratings also continue to reflect the consistent track record of the company in terms of growth, diversified revenue stream and established clientele. However, the ratings are constrained by relatively high gearing, high debt repayments in short to medium term and high MTM losses on derivative as on June 30, 2010.

Going forward, AIL's ability to reduce its gearing levels, and prudently manage its expected forex losses would remain the key rating sensitivities.

Company Profile

AIL incorporated in 1990 is the flagship company of 'Trident group'. AIL's activities can be classified in two main business segments - 'textiles' (yarns and terry towels) and 'paper & chemicals'. The company is one of the world's largest terry towel and wheat straw-based paper manufacturer and also one of the India's largest yarn spinners. The company has manufacturing units located at Barnala, Punjab and Budni, Madhya Pradesh. The total installed capacity as on June 30, 2010 stood at 2,24,448 spindles, 374 looms for manufacturing terry towels, 1,75,000 tpa for manufacturing various types of paper and 100,000 tpa of sulphuric acid.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publication

AIL derived 47%, 26% and 27% net sales from its three divisions, namely, terry towel, yarn and paper and chemicals respectively. AIL reported a total income of Rs.1,803 cr in FY10 and reported a net profit of Rs.57 cr in FY10.

For Q1FY11, AIL registered PAT of Rs.11 cr on total income of Rs.583 cr.

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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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