

September 28, 2010

**CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF
AGRIBIOTECH INDUSTRIES LTD****Ratings**

Facilities	Amount (Rs. Crore)	Ratings ¹	Remarks
Long-term Bank Facilities	20.97 (reduced from Rs.25.26 cr)	'CARE BBB' (Triple B Minus)	Reaffirmed
Total Facilities	20.97		

Rating Rationale

The rating continues to take into account the growing alcoholic beverages market in India and Agribiotech Industries Ltd's (ABIL's) good market share in the Extra Neutral Alcohol (ENA) segment in Rajasthan. The rating also factors in its growing share of the Country Liquor market in Rajasthan, moderate working capital utilisation levels and improved performance in Q1FY11 following deterioration in its financial risk profile in FY10 marked by sharp dip in profitability.

The rating continues to be constrained by ABIL's small size, short track record of operations and its regional presence, vulnerability of its margins to adverse price fluctuations of grains (its major raw material) which are dependent upon the vagaries of the monsoon and the agricultural commodity price cycles as well as the competition it faces from the cheaper molasses-based alcohol and also is limited by the challenges of operating in a highly regulated environment.

Substantial improvement in its profitability and cash accruals along with a favourable regulatory regime, any major capex in the future and its funding profile would remain the key rating sensitivities.

Company Profile

Rajasthan based ABIL, which commenced commercial production in February 2008, is a distillery mainly engaged in the manufacturing of grain-based Extra Neutral Alcohol (ENA)/Rectified Spirit (RS) and bottling of Country Liquor (CL). While it has an installed capacity of 45,000 ltrs/day for manufacturing of ENA/RS, the capacity of its bottling plant was increased from 2,000 cases/day to 3,000 cases/day during FY10.

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

As against a PAT of Rs.1.30 crore on a total income of Rs.74.17 crore in FY09, ABIL earned a PAT of Rs.0.24 crore on a total income of Rs.85.97 crore in FY10. As per provisional results for Q1FY11, it earned a PBT of Rs.0.93 crore on a total income of Rs.22.81 crore.

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