

June 1, 2010

CARE REAFFIRMS RATING ASSIGNED TO DEEP DISCOUNT NCD OF ALOK INFRASTRUCTURE LTD.

Instrument	Amount (Rs. crore)	Ratings¹	Remarks
Deep Discount Non-Convertible Debentures	224.45 (size enhanced from Rs.200.00 crore)	'CARE A (SO)' [Single A (Structured Obligation)]	Reaffirmed

Rating Rationale

The rating primarily takes into account the credit enhancement in the form of an irrevocable and unconditional corporate guarantee of Alok Industries Ltd (Alok) towards repayment of the DDNCD. In case AIL is not in a position to repay, Alok has guaranteed to pay the amount on demand; however, not later than five business days from the date of the notice. Alok has an outstanding rating of CARE A/ PR1 for its bank facilities. Further, Alok's CP/STD (carved out of working capital limits) has an outstanding rating of 'PR1+'.

The rating of Alok factors in the leading position in the textile industry, its state-of-the-art integrated operations, economies of scale, healthy profitability margins and growth in operations. Presence across the entire textile value chain, wide product portfolio and established relationship with leading international retailers further add strength to the rating.

The ratings of Alok are however, constrained by the highly-leveraged financial profile on account of large debt-funded expansions undertaken in the past, exposure to the real estate sector through its subsidiary and large investment in a group company (GAUKL) through overseas subsidiary, which is yet to turn around.

Company Profile

AIL is a wholly-owned subsidiary of Alok. Alok's realty business is driven through AIL which has undertaken various real estate projects in Mumbai. In FY09 the company reported net sales of Rs.175.88 crore and PAT of Rs.1.41 crore.

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

About the Guarantor

Alok, promoted by the Jiwrajka family, was incorporated on March 12, 1986. The company started with fabric trading activities and steadily expanded its operations to cotton spinning, apparel fabrics, home textiles, garments, texturised yarn and finally into retailing to rank amongst the largest integrated textile companies in the country . In FY09 the company reported net sales of Rs.2,977 crore and PAT of Rs.188 crore.

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CARE 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.

Disclaimer

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