

June 2, 2010

CARE ASSIGNS 'CARE BBB-' TO BANK FACILITIES OF ANRAK ALUMINIUM LTD

CARE has assigned a '**CARE BBB-**' [**Triple B Minus**] rating to the Long-term Bank Facilities of Anrak Aluminium Ltd (**AAL**) aggregating Rs.2995 crore. This rating is applicable for facilities having tenure of more than one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Instrument	Amount (Rs. crore)	Rating
Term Loan	2995	'CARE BBB-'

Rating Rationale

The rating takes into account the strength of the promoters, availability of approvals required for the project, execution of Bauxite supply agreement with APMDC, SEZ nature of the project, achievement of financial closure, infusion of equity of Rs. 550 crore as on March 20, 2010 by promoters and growing demand for Aluminum products. However, the rating is constrained by the lack of experience of the promoters in the similar line of business, risk associated with implementation of large scale alumina refinery project, complete dependence on exports and limited experience in execution of large size projects. The ability of the company to execute the project without any time and cost overrun and timely receipt of the balance equity for the project are the key rating sensitivities.

Company Profile

ANRAK Aluminium Limited (AAL) promoted by Penna Group along with Ras Al Khaimah Investment Authority(RAKIA) proposes to set up a 1.5 million tonnes per annua (MTPA) Alumina refinery along with 90 MW (2*45 MW) Co-gen Power Plant at APIIC Industrial Park, Makavaripalem, Vishakapatnam, District of Andhra Pradesh. Penna group will hold 70%, while the balance would be held by RAKIA. Penna Cement Industries Limited (PCL) is the flagship company of Hyderabad based Penna group. Ras Al Khaimah (RAK) is one of the seven emirates of UAE and RAKIA is the investment body of GoRAK.

The project is expected to be completed at a cost of Rs. 4608 crore and will be funded at a debt equity of 1.86:1. AAL has achieved financial closure for the project and as on March 20, 2010, incurred a cost of Rs.660 crores, which was met through equity of Rs.550 crore and the balance by way of debt. AAL has proposed to start the commercial operations by March 2012. The company has executed Bauxite supply agreement with Andhra Pradesh Mineral Development Corporation Ltd (APMDCL) and the statutory agreements like SEZ notification are in place.

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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.

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