

July 8, 2010

**CARE ASSIGNS IN-PRINCIPLE 'CARE BBB- (SO)' RATING TO THE DEEP DISCOUNT NON-CONVERTIBLE DEBENTURES OF ESSAR RETAIL HOLDINGS LTD.**

**Ratings**

<b>Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
<b>Deep Discount Non-convertible Debentures (DDNCD)</b>	<b>150*</b>	<b>'in-principle' 'CARE BBB- (SO)' [Triple B Minus (Structured Obligation)]</b>	<b>Assigned</b>
<b>Total</b>	<b>150</b>		

**\*DDNCD has face value of Rs.150 crore; amount to be raised is Rs.112.50 crore**

**Rating Rationale**

The rating is based on credit enhancement in form of unconditional and irrevocable corporate guarantee to be provided by the parent company, Essar Investments Limited (EIL) for repayment of the proposed DDNCD issue.

The credit risk profile of EIL is supported by its status as an investment & holding company of Essar Group which has a total asset base of Rs.5,897 crore (as on March 31, 2009) and has a diversified presence across various sectors. The credit risk profile is however weakened by illiquid nature of investments and substantial corporate guarantees extended towards loans raised by its subsidiaries and group companies.

**Company Profile**

Essar Retail Holding Limited (ERHL), an investment company is a part of Essar Group. ERHL is a 100% subsidiary of Essar Investment Limited (EIL) which in turn acts as a promoter company for the group. Currently ERHL acts as a holding company for 'The Mobile Store Ltd' (TMSL).

As on March 31, 2009 ERHL has equity capital of Rs.0.05 crore and had issued fully convertible debentures (FCD) to EIL aggregating to Rs.250.53 crore. ERHL's entire investment (Rs.250.58 crore) is in The Mobile Stores Limited (TMSL), 100% subsidiary of ERHL. TMSL is in expansion phase and being in its initial stage of its operation, is yet to break even. Thus, ERHL did not have any income till FY09.

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

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## About Guarantor

Essar Investment Limited (EIL) is an investment & holding company for various Essar group companies. EIL posted total income of Rs.166 crore and net loss of Rs.90 crore in FY09.

The 'in-principle' rating will be confirmed after the execution of documents by ERHL as per the proposed term sheet and to the satisfaction of CARE.

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