

August 10, 2010

**CARE ASSIGNS A 'CARE AA' RATING TO THE NCD ISSUE OF
FIRST LEASING COMPANY OF INDIA LTD.**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Non Convertible Debentures	200	'CARE AA' (Double A)	Assigned

Rating Rationale

The ratings factor in FLCL's long-standing track record in the Non Banking Finance industry, experienced top management, good asset quality, moderate gearing levels, diversified funding profile and satisfactory capital adequacy. The ratings also take into account the relatively less granular size of loans in its asset portfolio and moderate size of operations. Key rating sensitivities are capitalization levels and asset quality.

Company Profile

FLCL was promoted by Mr. Farouk Irani, in September 1973. The company is engaged in the business of leasing, hire purchase, loans and wind power generation. The company focuses on providing hire purchase and leasing services mainly to the corporate sector. FLCL has over the years also been successful in catering to the needs of the large Indian corporates, Central Government and Multi-National Corporations (MNCs) in India. A portion of FLCL's revenues also comes from wind power generation.

Total interest earning assets grew by 11% during FY10 (16% growth in FY09) and stood at Rs.1,365 cr as on Mar.31, 2010. HP assets accounted for the largest share constituting 80% of the total interest earning assets. Net Leased Assets grew by 0.75% in FY10 and decline in loans by 0.24% resulted in lower growth in total interest earning assets as for the first half of FY10, economic growth and expansion of industrial capacity slowed significantly because of the global economic downturn.

During FY10, FLCL's total income registered growth of 3.5% as compared to growth of 15% in FY09. FLCL reported a PAT of Rs.34.87 crore for FY10 which represents growth of 3.9% over FY09. Growth in business accompanied with decrease in interest expenses contributed to the growth in PAT. FLCL's gross and net spreads increased in FY10 mainly on account of decrease in interest costs. Overall gearing decreased marginally from 4.58x as on March 31, 2009 to 4.38x as on March 31, 2010, while interest coverage for FY10 was comfortable at 1.54x.

¹ Complete definition of the ratings assigned are available at www.careratings.com

FLCL's asset quality remains comfortable. Gross NPA ratio declined from 1.06% as on Mar.31, 2009 to 0.50% as on Mar.31, 2010 whereas Net NPA ratio was 0.04% as on March 31, 2010. FLCL's CAR is comfortable at 16.75% as on March 2010. FLCL's capital base comprises entirely of Tier-I capital.

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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