

June 7, 2010

**CARE REAFFIRMS THE RATINGS ASSIGNED TO GRABAL ALOK IMPEX LIMITED**

CARE has reaffirmed the '**CARE A-** (Single A Minus)' rating assigned to the Long-term Bank Facilities of Grabal Alok Impex Limited (Grabal) aggregating Rs.269.49 crore. This rating is applicable to facilities having tenure of over one year. Facilities with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such facilities carry low credit risk. Further, CARE also reaffirmed the '**PR1**' (**PR One**) rating assigned to the Short-term Bank Facilities of the company aggregating Rs.45.00 crore. This rating is applicable to facilities having tenure up to one year. Facilities with this rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. Within this category, facilities with relatively better credit characteristics are assigned PR1+ rating.

In addition, CARE has reaffirmed the '**PR1**' (**PR One**) rating assigned to the existing Commercial Paper (CP)/MIBOR-linked Short-term Non-Convertible Debentures (NCD)/other Short-term Debt (STD) issue of the company aggregating Rs.50.00 crore. The CP/NCD/STD issue would be carved out of the sanctioned working capital limits of the company. Instruments with this rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. Within this category, instruments with relatively better credit characteristics are assigned PR1+ rating.

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.

<b>Instrument</b>	<b>Amount (Rs. crore)</b>	<b>Rating</b>
Commercial Paper/NCD (carved out of working capital limits)	50.00	'PR1'
Long-term Bank Facilities	269.49	'CARE A-'
Short-term Bank Facilities	45.00	'PR1'

**Rating Rationale**

The ratings continues to derive strength from operational synergies which Grabal enjoys with the parent company Alok Industries Limited, growth in operations and healthy operating margins due to the company's focus on value-added embroidered products.

The ratings are however, constrained by high leverage and the company's large exposure in the form of investments and corporate guarantee in loss-making group company Grabal Alok UK Ltd. (GAUKL).

Ability of Grabal to maintain healthy profitability margins and successfully turnaround the operations of GAUKL remains the key rating sensitivities.

**Company Profile**

Grabal Alok Impex Ltd. (Grabal) is promoted by Alok Industries Ltd. (Alok), the flagship company of Alok group, in financial and technical collaboration with an Austrian collaborator M/s Grabal, Albert Grabher Gessellschaft m.b.H & Co. (Grabher). Grabal manufactures embroidered products at its plants located at Silvassa and Navi Mumbai.

Grabal achieved sales of Rs.131.29 crore and PAT of Rs.13.95 crore in FY09 against sales of Rs.111.32 crore and PAT of Rs.13.60 crore in FY08.

Grabal achieved sales of Rs.110.64 crore in H1FY10, a growth of 84% as compared to the same period last year. However, PBILDT grew at lower pace of 39% during the same period on account of change in product mix as well as trading sales made to GAUKL in Q2FY10. Higher interest and depreciation charges further impacted PAT which stood at Rs.7.30 crore in H1FY10 as compared Rs.6.33 crore in H1FY09.

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