

October 25, 2010

**CARE REVISES THE RATING ASSIGNED TO THE LT BANK FACILITIES, REAFFIRMS THE RATING ASSIGNED TO THE ST BANK FACILITIES/INSTRUMENTS AND ASSIGNS 'CARE AA-' RATING TO NCD ISSUE OF PAREKH ALUMINEX LTD.**

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long/Short term Bank Facilities	216.75	'CARE AA-' (Double A Minus)/ 'PR1+' (PR One Plus)	Upgraded from CARE A+/Reaffirmed
Short-term Bank Facilities	142.00	'PR1+' (PR One Plus)	Reaffirmed
<b>Total Facilities</b>	<b>358.75</b>		
STD/CP/NCD (not carved out of working capital)	40.00	'PR1+' (PR One Plus)	Reaffirmed
Long Term NCD (Proposed)	125.00	'CARE AA-' (Double A Minus)	Assigned
<b>Total Instruments</b>	<b>175.00</b>		

**Rating Rationale**

The rating revision takes into account the successful completion of the capacity expansion program in April 2010, contract renewed from Indian Railways Catering & Tourism Corporation (IRCTC) for supplying Aluminium Foil Containers (AFCs) and significant growth in revenue and cash accruals in recent years.

The ratings continue to derive strength from PAL's long track record in the manufacture of aluminium foil products and its leadership position in the segment, back-to-back arrangements with the suppliers for sourcing of raw materials, healthy order book position, support from the promoters by way of unsecured loans, stable profitability margins, comfortable interest coverage ratio and moderate gearing ratios.

The ratings are, however, constrained by relatively long working capital cycle. Although the company has completed projects successfully in the past, inherent execution risk associated with ongoing and new projects remains.

The ability of the company to tie up working capital for increase in capacities in a timely manner and the ability to market higher volumes of aluminium foil products given the large capacity expansion coming on-stream are the key rating sensitivities.

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

### **Company Profile**

Incorporated in 1994, PAL is engaged manufacturing aluminium foil containers (AFCs), aluminium foil rolls (AFRs) and aluminium foil lids (AFLs). PAL is expanding its production facilities by setting up additional lines of its existing product range, besides installing new mould ranges. The said expansion involves further capacity enhancement by 35,000 lakh pieces of AFC, 750 lakh pieces of AFR and 8,000 lakh pieces of AFL expected to be completed by Q4FY13. PAL earned a PAT of Rs.45.55 crore and reported net sales of Rs.634.16 crore in FY10. Further in Q1FY11, PAL earned a PAT of Rs.15.63 crore on a net sales of Rs.210.50 crore.

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