

May 12, 2010

**CARE UPGRADES RATING FOR BANK FACILITIES OF  
RADICO KHAITAN LTD.**

| Facilities/Instruments     | Amount<br>(Rs. crore)                 | Ratings <sup>1</sup>           | Remarks  |
|----------------------------|---------------------------------------|--------------------------------|--|
| Long-term Bank Facilities  | 642.69 (reduced<br>from Rs.783.04 cr) | <b>'CARE A'<br/>(Single A)</b> | Revised<br>from 'CARE<br>A-' [Single<br>A Minus] |
| Short-term Bank Facilities | 60.00                                 | <b>'PR1'<br/>(PR One)</b>      | Reaffirmed                                       |
| <b>Total Facilities</b>    | <b>702.69</b>                         |                                |  |

**Rating Rationale**

The revision in long term rating takes into account the infusion of equity via Qualified Institutional Placement (QIP) during Q4FY10, leading to improvement in its capital structure.

The ratings continue to reflect RKL's strengths in the form of a nation-wide presence in the Indian Made Foreign Liquor (IMFL) segment, track record of establishing brands and strong presence in the defence segment. The ratings also factor in protective environment for existing players due to restrictive licensing acting as a high entry barrier. However, the ratings are constrained by lower profitability, working capital intensive operations, risk due to cyclicalities in raw material prices and presence in highly regulated industry with heavy burden of duties and taxes. Further, the company is also exposed to changes in the state policies regarding pricing and sales. Going forward, any significant debt funded capex coupled with non-conversion of FCCBs leading to weakening in capital structure and sustenance of profitability would be the key rating sensitivities.

**Company Profile**

RKL is engaged in manufacturing Rectified Spirit (RS), Extra Neutral Alcohol (ENA), Country Liquor and Indian Made Foreign Liquor (IMFL). RKL is the third largest player in the Indian alcohol industry. RKL has four brands with sales over one million cases in a year i.e. 8PM whisky, Contessa rum, Old Admiral brandy and Magic Moments vodka.

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

On a total income of Rs.696 cr, RKL earned a PAT of Rs.6.5 cr in FY09. Overall gearing was high at 2.73 times as on March 31, 2009 on account of working capital intensive operations. However RKL has raised equity via QIP to the extent of USD 75 million (nearly Rs.342 cr) during later part of Q4FY10 and used the proceeds for repayment of outstanding debt. The same has resulted in de-leveraging the balance sheet leading to a more robust capital structure.

During 9MFY10, RKL reported a 19% period-on-period growth in total income to Rs.618 cr and earned a PAT of Rs.32 cr.

**Analyst Contact**

Name: Jyotsna Gadgil

Tel # 01123318701

Mobile # +919811552926

Email: Jyotsna.gadgil@careratings.com

***CARE classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto: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.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

**Mr. Ankur Sachdeva**

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4<sup>th</sup> Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

**Website: www.careratings.com**

**OFFICES**

|   |   |
|---|---|
| <p>Mr.Mehul Pandya<br/>Regional Manager<br/>32 TITANIUM<br/>Pralhadnagar Corporate Road,<br/>Satellite,<br/><b>Ahmedabad - 380 015.</b><br/>Tel – 079 4026 5656<br/>Mobile - 98242 56265<br/>E-mail:<br/>mehul.pandya@careratings.com</p>                                 | <p>Mr.Sundara Vathanan<br/>Regional Manager<br/>Unit No. 8, I floor,<br/>Commander's Place<br/>No. 6, Raja Ram Mohan Roy Road,<br/>Richmond Circle,<br/><b>Bangalore - 560 025.</b><br/>Tel – 080 2211 7140<br/>Mobile – 98803 60878<br/>E-mail: sundara.vathanan@careratings.com</p> |
| <p>Mr.Ashwini Jani<br/>Regional Manager<br/>Unit No. O-509/C, Spencer Plaza,<br/>5th Floor, No. 769,<br/>Anna Salai,<br/><b>Chennai 600 002</b><br/>Tel: 044 2849 7812/2849 0811<br/>Mobile – 91766 47599<br/>E-mail : ashwini.jani@careratings.com</p>                   | <p>Mr. Rahul Patni<br/>Regional Manager<br/>401, Ashoka Scintilla<br/>3-6-520, Himayat Nagar<br/><b>Hyderabad - 500 029</b><br/><br/>Tel – 040 _40102030<br/>Mobile – 91600 04563<br/>E-mail: rahul.patni@careratings.com</p>   |
| <p>Mr. Sukanta Nag<br/>Regional Manager<br/>3<sup>rd</sup> Floor, Prasad Chambers<br/>(Shagun Mall Building)<br/>10A, Shakespeare Sarani<br/><b>Kolkata - 700 071.</b><br/>Tel – 033 2283 1800/1803<br/>Mobile – 98311 70075<br/>E- mail: sukanta.nag@careratings.com</p> | <p>Ms.Swati Agrawal<br/>Regional Manager<br/>710 Surya Kiran,<br/>19 K.G. Road,<br/><b>New Delhi - 110 001.</b><br/>Tel – 011 2331 8701/2371 6199<br/>Mobile – 98117 45677<br/>E-mail : swati.agrawal@careratings.com</p>   |