

August 2, 2010

CARE REVISES THE RATING FOR LONG-TERM BANK FACILITIES OF RADICO KHAITAN LTD.

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	640.03 (reduced from 642.69 cr)	'CARE A+' (Single A Plus)	Revised from 'CARE A' [Single A]
Short-term Bank Facilities	60.00	'PR1' (PR One)	Reaffirmed
Total Facilities	700.03		

Rating Rationale

The revision in the long-term rating takes into account the healthy growth in turnover and improved profitability margins in FY2010 driven by increased sales of premium segment brands, increased realisations & volume growth recorded in the Indian Made Foreign Liquor (IMFL) segment as well as decline in prices of key raw material such as molasses.

The ratings continue to be supported due to significant improvement in RKL's capital structure, RKL's strong nation-wide presence in the IMFL segment, track record of establishing brands and strong presence in the defence segment. The ratings also factor in the protective environment for the existing players due to restrictive licensing acting as a high entry barrier. However, the ratings are constrained by working-capital intensive operations, risk due to cyclicity 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, sustaining profitability and any material adverse change in capital structure 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). The company has one of the largest distilleries in India at Rampur with molasses-based distilling capacity of 75 million litres per annum and grain-based distilling capacity of 27 million litres per annum. The company also has tie-ups with 26 bottling units spread all over the country apart from its own four own bottling units at Rampur (Uttar Pradesh), Sikar (Rajasthan), Bajpur (Uttarakhand) and Shadnagar (Andhra Pradesh).

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

On a total income of Rs.836 cr, RKL earned a PAT of Rs.42 cr in FY10. The overall gearing was at 0.71 times as on March 31, 2010 which has significantly improved as compared to 2.73 times as on March 31, 2009.

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