

October 7, 2010

**CARE UPGRADES THE RATING FOR SHORT TERM FACILITIES/INSTRUMENTS ASSIGNED TO  
REI AGRO LTD.  
AND REAFFIRMS THE RATING FOR LONG TERM BANK FACILITIES/INSTRUMENTS.**

*Ratings*

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
<b><i>Instruments</i></b>			
Outstanding NCDs	239.00	'CARE A' (Single A)	Reaffirmed
Proposed NCDs	361.00	'CARE A' (Single A)	Reaffirmed
CP/STD (carved out of working capital limit)	1,400.00	'PR1+' (PR One plus)	Upgraded from 'PR1' (PR One)
<b><i>Facilities</i></b>			
Long term facilities	174.64	'CARE A' (Single A)	Retained
Long/Short term facilities	3,200.00	'CARE A' (Single A)/ 'PR1+' (PR One plus)	Upgraded from 'PR1' (PR One)
Short term facilities	10.00	'PR1+' (PR One plus)	Upgraded from 'PR1' (PR One)
<b>Total</b>	<b>5,384.64</b>		

**Rating Rationale**

The revision in the short term rating is on account of improved overall performance in FY10 and 4MFY11 with notable improvement in liquidity & gearing ratios owing to recent equity infusion through rights issue. The ratings continue to draw strength from the established track record of the company spanning over a decade, leadership position in the domestic basmati rice market, integrated business model leading to reasonably high operating margin, strategic location of the units with proximity to the raw material source, state-of-the-art technology & fully automated process, wide distribution network across the country alongwith the support of group's retail chain ('6Ten') for distribution and significant demand potential for Indian basmati & parboiled rice in both domestic & overseas market. The long term rating factors in the working capital intensive nature of RAL's business leading to availment of high level of fund-based bank facilities, risks associated with implementation of ongoing projects, GoI intervention by way of policy formulation impacting the industry performance, volatility in prices and vulnerability of the basmati rice industry to vagaries of nature. Successful implementation of ongoing projects, impact of government policies and competition in the international market remain the key rating sensitivities.

**Company Profile**

RAL, incorporated in 1994, is engaged in processing and sale (including export) of basmati rice from December, 1996. It has basmati rice processing units at Rewari, (Haryana), and Amritsar, with an aggregate capacity of 9,02,280 metric tonnes (MT). The company uses milling technology of Buhler GmbH, Germany, an established technology provider in both

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

rice & wheat industry across the globe. It sells basmati rice, in bulk, in the domestic wholesale market as well as in overseas market under its various brands ('Mr. Miller', 'Al-Tahaan', Kasauti, etc.). The company is also engaged in wind power generation. The company has also embarked on rice processing capacity at its existing plant site, at an estimated cost of Rs.602.0 crore. The project cost is being financed out of the proceeds from the FCCB (done in December, 2009) and NCD issue. Financial closure has been fully achieved. The project implementation has started from August, 2009 and is likely to be commissioned by January, 2011.

RAL earned a PBILDT of Rs.601.8 crore and PAT (after defd tax) of Rs.161.2 crore on net sales of Rs.3,692.7 crore in FY10 (as against PBILDT, PAT (after defd tax) and net sales of Rs.456.0 crore, Rs.62.5 crore and Rs.2,446.2 crore respectively in FY09).

During the four months ending July 31, 2010 (4MFY11), gearing ratios improved significantly as on July 31, 2010 vis-à-vis Mar. 31, 2010 owing to equity infusion of Rs.1,245.4 crore by way of rights issue.

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