Press Release

March 14, 2011

CARE REVISES THE LONG-TERM RATING AND REAFFIRMS SHORT-TERM RATING OF TILAKNAGAR INDUSTRIES LTD.

Ratings Assigned

Facilities/Instruments	Amount *(Rs. crore)*	Ratings[1]	Remarks
Long-term Bank Facilities	310.00	**'CARE BBB+' (Triple B Plus)**	Revised from 'CARE BBB'
Short-term Bank Facilities	50.00	**'PR3' (PR Three)**	Reaffirmed
Long-term Loans	136.98	**'CARE BBB+' (Triple B Plus)**	Revised from 'CARE BBB'
Total Bank Facilities	**496.98**		

Rating Rationale

The revision in the long-term rating takes into account consistent growth in sales and improved profitability, equity infusion through Qualified Institutional Placement (QIP) in November 2010 and completion of debt-funded capex plans thereby reducing dependence on molasses-based spirits. Further, the ratings continue to take into account experienced promoters and long track record with established presence in Southern India.

However, the ratings continue to be constrained by product concentration risk and moderate financial risk profile in terms of capital structure. The ratings are also constrained by increasing exposure towards the wholly-owned subsidiaries and high working capital utilization. Further, the rating also factor in the competition from established large players and highly regulated nature of the alcohol industry.

The ability to sustain its profitability margins, reduce leverage, establish markets for additional brands and diversify its product portfolio, remain the key rating sensitivities.

Company Profile

Tilaknagar Industries Limited (TIL) is primarily engaged in manufacturing, marketing and sale of IMFL, Industrial Alcohol and alcohol-based chemicals with IMFL being the core business. The company's IMFL segment comprising Brandy, Whisky, Rum, Gin and Vodka has around 40 brands viz. Mansion House, Senate Royal, Courier Napolean, Castle Club amongst others.

As on March 31 2010, TIL had two wholly-owned subsidiaries, namely Prag Distillery (P) Ltd. (Prag) and Surya Organic Chemicals (P) Ltd. (Surya), both engaged in the similar business and operating in the States of Andhra Pradesh and Karnataka respectively.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and in various CARE publications*

On a total operating income of Rs.354.61 crore in FY10, TIL earned a PAT of Rs.33.12 crore.

As per the unaudited results of H1FY11, TIL's total income registered growth of 35% Y-o-Y to Rs.162.70 crore while the PAT registered a higher growth of 62.24% to Rs.11.22 crore as compared to H1FY10.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to 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.

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