

August 10, 2009

Shri Bhaskar Roy
Vice-President (Finance)
Globus Spirits Limited
D-26, Sector-3
Noida - 201301

Confidential

Dear Sir,

Grading of Initial Public Offering (IPO)

Please refer to your request on the captioned subject.

2. CARE has assigned a 'CARE IPO Grade 3' to the proposed IPO issue of Globus Spirits Limited of 75 lakh equity shares having a face value of Rs.10 each. CARE IPO Grade 3 indicates **Average Fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer.
3. Please note that wherever 'CARE IPO Grade 3' [Grade Three] appears, it should invariably be followed by the definition 'CARE IPO Grade 3 [Grade Three] indicates Average Fundamentals'.
4. The explanatory notes regarding the grading symbols of CARE for IPO grading are given in **Annexure**. The rationale for this grading will be communicated to you separately.
5. Please arrange to get the grading revalidated, in case the proposed IPO issue is not made within two months from the date of this letter.
6. Please note that the IPO grading is a one time exercise undertaken before an IPO issue and it does not have any ongoing validity.
7. Please note that as per the existing regulations, CARE is required to disclose all IPO gradings; hence, in the absence of any request for review of rating within a week of this letter, CARE will disclose this IPO grading to the public.
8. Please note that the disclaimer as given hereunder should be disclosed wherever the IPO grading assigned by CARE is mentioned, including offer document and issue prospectus.

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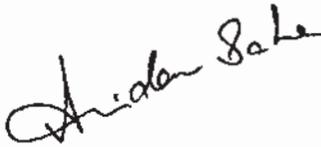
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CARE Ratings

9. CARE's IPO grading does not take cognizance of the price of the security, **it is not a recommendation to buy, sell or hold shares/securities**. It is not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud.
10. If you need any clarification, you are welcome to approach us in this regard.

Thanking You;

Yours faithfully,



(A. Saha)
Senior Manager



(S. Nag)
Chief General Manager

Encl : As above

DISCLAIMER:

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE does not 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. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer: also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

Annexure

CARE IPO grading Scale

CARE IPO grade	Evaluation
CARE IPO Grade 5	Strong fundamentals
CARE IPO Grade 4	Above average fundamentals
CARE IPO Grade 3 ✓	Average fundamentals ✓
CARE IPO Grade 2	Below average fundamentals
CARE IPO Grade 1	Poor fundamentals

SPC

✓

August 14, 2009

Shri Bhaskar Roy
Vice-President (Finance)
Globus Spirits Limited.
D-26, Sector-3,
Noida - 201301

Dear Sir,

Credit rating of bank facilities for Rs.21.1 crore & IPO Grading

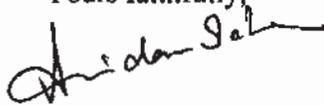
Please refer to our letters dated Aug.10, 2009 on the above subject.

2. The rationales for the bank facility ratings and IPO grading are attached as **Annexure – I & Annexure - II**. Kindly note that the rationales would be published in the forthcoming issue of our quarterly journal, 'CAREVIEW'.
3. Write-ups on the above ratings and grading are proposed to be issued to the press shortly. Drafts of the press releases are enclosed for your perusal as **Annexure – III & Annexure – IV**.
4. We request you to peruse the Rationales and Press Releases and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by Aug.19, 2009, we will proceed on the basis that you have no comments to offer.

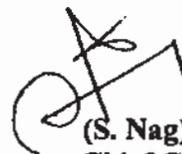
If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,



(A. Saha)
Senior Manager



(S. Nag)
Chief General Manager

Encl: As above

Globus Spirits Ltd. -Rationale

Rating

CARE has retained a 'CARE BBB+' (Triple B plus) rating to the long/medium term facilities and 'PR2' (PR two) rating to the short term bank facilities of Globus Spirits Ltd. (GSL). The aforesaid ratings are assigned to short term, medium term and long term bank facilities aggregating Rs.21.1 crore of GSL.

'CARE BBB+' rating is applicable for facilities having tenure of more than one year and 'PR2' (PR two) rating is applicable for facilities having tenure up to one year. Facilities with 'CARE BBB' rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk. CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol. Facilities with 'CARE PR2' rating would have adequate capacity for timely payment of short-term debt obligations and carry higher credit risk as compared to facilities rated higher.

The ratings draw strength from experienced & qualified promoter and management team of the company, its significant presence in the Country Liquor (CL) segment, experience in bottling for large Indian Made Foreign Liquor (IMFL) players, captive power plant (CPP), technological flexibility of the plants enabling the use of both grains & molasses as raw material, comfortable financial position with low level of gearing and stable outlook for the industry. The ratings are however, constrained by relatively small size of the company, its recent foray in selling IMFL under own brands in the market already captured by large players of the industry, risks associated with implementation of on-going projects, volatility in raw material prices, sensitivity of the business to Government regulations for imposition of additional duties and/or restriction on usage of alcohol and the present economic slowdown. Maintaining reasonable rate of growth, success of its own brands in IMFL segment and ability to raise funds through IPO in the current scenario to timely complete the ongoing projects are the key rating sensitivities.

Company Background

GSL is the present name of Globus Agronics Ltd., a company incorporated in February, 1993. The company was promoted by Shri Ajay Kumar Swarup of Delhi, an alumnus of IIM Kolkata. It is engaged in the business of

manufacturing, marketing and selling of various industrial and potable alcohol products namely - Extra Neutral Alcohol (ENA), Rectified Spirit (RS), CL and IMFL. Shri A. K. Swarup & family have controlling stake in GSL through - Chand Bagh Investments Ltd, an investment company.

The company has two distilleries - located at Samalkha (Haryana) and Behror (Rajasthan), each having an installed capacity of 144 lakh BL per annum. Both the distilleries have the flexibility to produce alcohol from molasses as well as grains (broken rice, wheat, jowar & bajra). GSL has been operating mainly in Rajasthan, Haryana, Delhi and Chandigarh. CL is being sold under various brands, while for IMFL; GSL launched few brands in the last three years. Prior to this, GSL was only executing bottling contracts for major players in the industry.

The company is managed by an eight member Board of Directors. The day-to-day affairs of the company are looked after by Shri A.K. Swarup, MD, who is assisted by qualified professionals having rich experience in the alcohol industry.

Operations

GSL is engaged in the business of manufacture, marketing and selling of Industrial Alcohol (comprising RS and ENA), CL and IMFL. The company has a well established position in domestic CL segment with significant market share (22%, 17% and 20% share in Rajasthan, Haryana and Delhi respectively) and has made its presence in IMFL segment by taking up contract bottling to cater to the renowned Indian players. GSL sells CL under the major brands like Rana, Chandni and Samalkha No-1. The company has also launched its own brands in growing IMFL segment namely: Samurai Gold Whisky, White Lace Gin, White Lace Vodka and Hannibal Rum in seven states and is likely to cover three more states by March, 2010. The IMFL segment is currently captured by large players of the industry. Gross sales increased at a CARG of around 48% over the last three years with year on year (y-o-y) growth of 19.5% in FY09 mainly on account of higher Average Gross Sales price Realisation (AGSPR) of RS and ENA in FY09 due to higher Average Purchase Price (APP) of raw material in FY09 over FY08. GSL has a running contract with BDA Ltd for bottling their IMFL brands and also has tie-ups with brand leaders like UB group, BDA Ltd & Jagatjit Industries for sale of ENA.

The distribution of CL and IMFL is through the supply to Government controlled agencies or private agencies (who ultimately cater to the need of the retailer) as per their requirement. With the regulations relating to illicit liquor becoming stringent,

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GSL gained strong market presence in Haryana, Rajasthan and Delhi during the last few years by launching branded CL (accounts for a major proportion of sales for GSL).

Raw materials (mainly molasses & grains) are the major cost components for GSL. The APP of molasses increased substantially in FY09 in view of lower availability due to fall in cane quantity. The APP for grains also witnessed an increasing trend mainly due to fluctuating prices of broken rice (the major grain used generally) arising out of demand-supply situation in the country.

The molasses is sourced from sugar mills located in Uttar Pradesh and Haryana. The grains are procured from dealers/stockists in Delhi and the availability is generally not an issue due to its operations in the vicinity of crop rich areas like Haryana, UP and Punjab. Moreover, GSL has a warehouse in Delhi for storage of grains which mitigates the risk of shortage of raw materials due to seasonality. The company also purchased RS from outside to meet up the requirement of bottled liquor as the capacity to manufacture was low.

The power requirement at both its units is mostly met from its CPP. The fuel required for steam generation in the boilers is captively sourced from the effluent treatment plant (installed at both the units to ensure zero pollution) in the form of biogas and biomass.

Ongoing Projects

GSL is implementing projects comprising expansion-cum-modernisation of capacity (from 288 lakh BL to 498 lakh BL per annum), setting up of new CPP, revamping IMFL bottling section and brand launching for IMFL at an aggregate project cost of Rs.89.3 crore, with the project debt-equity ratio being 0.16:1. The project was delayed due to deferment of IPO in view of adverse market conditions. However, there was no cost over run. The company has already incurred expenditure to the tune of Rs.16.2 crore on the projects (entirely out of internal accruals) and the projects, in entirety, are expected to be completed by March, 2010. The major (Rs.54 crore) source of fund is estimated to be through placement of IPO and as such, the success of IPO is critical for the completion of the projects.

Financial Analysis

GSL is relatively a small company with net sales of Rs.196.8 crore in FY09. Net sales witnessed a CARG of about 31.5% during FY06 to FY09, with y-o-y growth of about

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25.6% in FY09. PBILDT increased at a lower rate of 18.2% mainly due to increase in APP of molasses and grains, leading to a decline in PBILDT margin.

Capital charges increased by 74% in FY09 over FY08 mainly on account of increase in interest expenses arising out of higher working capital requirement (on account of increase in scale of operation), lower capitalisation of interest & interest on unsecured loan (Rs.5 crore availed and substantially repaid in FY09) and increased depreciation due to addition of machineries in FY09. Higher interest cost led to increase

Relatively higher increase in capital charges led to relatively lower growth (of about 11.1%) in PAT (before deferred taxation) vis-à-vis PBILDT. However, PAT (after deferred tax) witnessed a marginal growth of about 2% only in FY09 over FY08 due to higher deferred tax provision. PAT margin declined accordingly.

Gross Cash Accruals (GCA) at Rs.22.0 crore in FY09 was comfortable, given the level of outstanding long-term borrowings.

Long-term debt-equity and overall gearing ratios improved as on Mar.31, 2009 from Mar.31, 2008 due to repayment of loans and improved net worth (arising out of improved profitability) despite substantial increase in working capital borrowings to fund the increase business level. These ratios have generally been comfortable.

Interest coverage, though declined significantly due to higher capital charges, was satisfactory at 7.42 in FY09. However, higher interest cost led to high average cost of borrowings in FY09 over FY08. Current ratio was adequate at 1.33 as on Mar.31, 2009.

Average collection period and average finished goods holding period were satisfactory when compared to those of industry peers.

The unaudited working results for the quarter ended June 30, 2009 were, by and large, comfortable.

Industry Outlook & Prospects

The domestic alcohol industry offers high growth potential due to low per capita consumption of liquor, as compared to other countries, despite generating significant revenue for the state exchequer (being the second largest).

Industrial alcohol is used in the manufacture of medicine, paints, soaps, pesticides, etc. The Govt. of India has made blending of 5% ethanol in petrol (called gasohol) mandatory in nine sugarcane producing states from January 2003 which has thrown up huge opportunities for industrial alcohol. The potable alcohol segment has been

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growing at rate of 10% over the last few years and is expected to rise at a CARG of 13% over the next five years.

Further, high taxation and heavy regulation also make the industry dynamics complex. The uniqueness of the industry lies in its convoluted tax structure, imposition of import and export duties on inter-state transfer of liquor, apart from other taxes. These lead to the setting up of a number of small production capacities across the country by liquor manufacturers, contract distillers and bottlers. Also, there is a ban on all forms of direct and indirect advertising for liquor in the country.

Financial Results

(Rs.crore)

Year ended as on March 31	2007	2008	2009
Working Results			
Audited			
Net sales	111.8	156.7	196.8
Total operating income	111.8	158.3	198.5
PBILDT	15.3	23.6	27.9
Interest	0.5	1.1	3.0
Depreciation	2.7	3.9	5.7
PBT	12.2	19.5	19.9
PAT (after deferred tax)	8.7	12.6	12.9
GCA	13.3	18.5	22.0
Financial Position			
Equity share capital	7.7	12.3	12.3
Tangible networkth	27.3	50.6	66.9
Total capital employed	35.9	65.3	84.2
Key Ratios			
Growth			
Growth in Total income (%)	31.99	42.07	24.96
Growth in PAT (after defd.tax) (%)	65.37	46.02	2.29
Profitability			
PBILDT/Total operating income (%)	13.64	14.89	14.05
PAT/Total income (%)	7.71	7.93	6.48
ROCE (%)	44.39	40.49	29.59
Average cost of borrowing (%)	9.26	9.15	18.51
Solvency			
Long term debt equity ratio (times)	0.21	0.10	0.05
Overall gearing ratio (times)	0.31	0.29	0.26
Interest coverage (times)	23.06	18.28	7.42
Term debt / GCA (years)	0.42	0.27	0.15

CARE Ratings

<i>Liquidity</i>			
Current ratio (times)	1.44	1.39	1.33
Quick ratio (times)	0.89	0.97	0.84
<i>Turnover</i>			
Average collection period (days)	23	26	32
Average creditors (days)	33	39	45
Average inventory days	27	36	43

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.



Globus Spirits Ltd. -Rationale

Grading

CARE has assigned a 'CARE IPO Grade 3' grading to the proposed Initial Public Offering (IPO) of Globus Spirits Ltd. (GSL). GSL proposes an IPO of around 75 lakh equity shares of Rs.10 each. CARE IPO Grade 3 indicates 'average fundamentals'. CARE's IPO grading assigned to any individual issue represents a relative assessment of the fundamentals of the issuer.

The grading derives strength from experienced & qualified promoter and management team of the company, its established presence in the Country Liquor (CL) segment, experience in bottling for large Indian Made Foreign Liquor (IMFL) players, captive power plant (CPP), technological flexibility of the plants enabling the use of both grains & molasses as raw material, comfortable financial position with low level of gearing and stable outlook for the industry. Independent directors of the company are quite participating in the affairs of the company and corporate governance practices of the company appear to be satisfactory. The grading is however, constrained by relatively small size of the company, its recent foray in selling IMFL under own brands in the market already captured by large players, risks associated with implementation of on-going projects, volatility in raw material prices and sensitivity of the business to Government regulations.

Company Background

GSL is the present name of Globus Agronics Ltd., a company incorporated in February, 1993. The company was promoted by Shri Ajay Kumar Swarup of Delhi, an alumnus of IIM Kolkata. It is engaged in the business of manufacturing, marketing and selling of various industrial and potable alcohol products namely - Extra Neutral Alcohol (ENA), Rectified Spirit (RS), CL and IMFL.

The company has two distilleries - located at Samalkha (Haryana) and Behror (Rajasthan), each having an installed capacity of 144 lakh BL per annum. Both the distilleries have the flexibility to produce alcohol from both varieties of raw material i.e. molasses and grains (broken rice, wheat, jowar & bajra). GSL has been operating mainly in Rajasthan, Haryana, Delhi and Chandigarh. CL is being sold under various brands, while for IMFL, GSL launched few brands in the last two years. Prior to this, GSL was only executing bottling contracts for major players in the industry.



Promoters

The main promoter, Shri A. K. Swarup & family have controlling stake (96.4%) in GSL through - Chand Bagh Investments Ltd (CBIL), an investment company. The other major group companies are Associated Distilleries Ltd., Rajasthan Distilleries Ltd. and Northern India Alcohol Sales Ltd. After the placement of IPO, the promoters group is likely to have 59.8% holding in the company, while the stake of Indian public will be 38%.

Management

GSL has a broad-based eight member Board of Directors (BOD) including the Managing Director and three Wholetime Directors. The day-to-day affairs of the company are looked after by Shri A.K. Swarup, MD, who is assisted by qualified professionals having rich experience in the alcohol industry.

Corporate Governance

The BoD includes four independent Non-Executive Directors with rich industrial experience. The company is, by and large, in compliance with the applicable provisions of the listing agreement and clause 49 pertaining to corporate governance. GSL has formed different committees of Board like: Audit Committee, Remuneration Committee, Share Transfer Committee, Investor Grievance Redressal Committee, IPO Committee and Selection Committee.

Operations

GSL is engaged in the business of manufacture, marketing and selling of Industrial Alcohol (comprising RS and ENA), CL and IMFL. The company has a well established position in domestic CL segment with significant market share (22%, 17% and 20% share in Rajasthan, Haryana and Delhi respectively) and has made its presence in IMFL segment by taking up contract bottling to cater to the renowned Indian players. GSL sells CL under the major brands namely Rana, Chandni and Samalkha No-1. The company has also launched its own brands in growing IMFL segment namely: Samurai Gold Whisky, White Lace Gin, White Lace Vodka and Hannibal Rum in seven states and is likely to cover three more states by March, 2010.

bottling their IMFL brands and also has tie-ups with brand leaders like UB group, BDA Ltd and Jagatjit Industries for sale of ENA.

The distribution of CL and IMFL is through the supply to Government controlled agencies or private agencies (who ultimately cater to the need of the retailer). With the regulations relating to illicit liquor becoming stringent, GSL gained strong market presence in Haryana, Rajasthan and Delhi during the last few years by launching branded CL (accounts for a major proportion of sales for GSL).

Raw materials (mainly molasses & grains) are the major cost components for GSL. The APP of molasses increased substantially in FY09 in view of lower availability arising out of fall in cane quantity. The APP for grains also witnessed an increasing trend mainly due to fluctuating prices of broken rice (the major grain used generally) arising out of demand-supply situation in the country.

The molasses is being sourced from sugar mills located in Uttar Pradesh and Haryana. The grains are procured from dealers/stockists in Delhi and the availability is generally not an issue due to its operations in the vicinity of crop rich areas like Haryana, UP and Punjab. Moreover, GSL has a warehouse in Delhi for storage of grains which mitigates the risk of shortage of raw materials due to seasonality. The company also purchases RS from outside to meet up the requirement of bottled liquor in view of its low manufacturing capacity.

The power requirement at both its units is mostly met from its CPP. The fuel required for steam generation in the boilers is captively sourced from the effluent treatment plant (installed at both the units to ensure zero pollution) in the form of biogas and biomass.

Ongoing Projects

GSL is implementing projects comprising expansion-cum-modernisation of capacity (from 288 lakh BL to 498 lakh BL per annum), setting up of new CPP, revamping IMFL bottling section and brand launching for IMFL, at an aggregate project cost of Rs.89.3 crore with the project debt-equity ratio being 0.16:1. The company has already incurred Rs.16.2 crore on the projects (entirely out of internal accruals) and the projects, in entirety, are expected to be completed by Mar., 2010. The major (Rs.54 crore) source of fund is estimated to be through placement of IPO and hence, the success of IPO shall be critical to implementation of this project.

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Financial Analysis

GSL is relatively a small company with net sales of Rs.196.8 crore in FY09. Net sales witnessed a CARG of about 31.5% during FY06 to FY09, with y-o-y growth of about 25.6% in FY09. PBILDT increased at a lower rate of 18.2% mainly due to increase in APP of molasses and grains, leading to a decline in PBILDT margin.

Capital charge increased at relatively higher CARG of 63% during the last three years with y-o-y increase of 74% in FY09 mainly on account of increase in interest expenses arising out of higher working capital borrowings (on account of increase in scale of operation) and lower capitalisation of interest and higher depreciation (due to addition of machineries in FY09).

Relatively higher increase in capital charges led to relatively lower growth (CARG of about 37.1%) in PAT (after deferred taxation) vis-à-vis PBILDT. However, PAT (after deferred tax) witnessed a marginal growth of about 2% only in FY09 over FY08 due to higher deferred tax provision. PAT margin accordingly declined in FY09.

Gross Cash Accruals (GCA) at Rs.22.0 crore in FY09 was comfortable, given the level of outstanding long-term borrowings.

Long-term debt-equity and overall gearing ratios improved gradually in the last three years due to repayment of loans and improved net worth (arising out of improved profitability) despite substantial increase in working capital borrowings to fund the increase business level. These ratios have generally been comfortable.

Interest coverage, though declined significantly due to higher capital charges, was satisfactory at 7.42 in FY09. However, higher interest cost led to high average cost of borrowings in FY09 over FY08. This was bit distorted in view of repayment of certain loans towards the end of the year.

Current ratio was adequate at 1.33 as on Mar.31, 2009. Average collection period and average finished goods holding period were satisfactory when compared to those of industry peers.

EPS of GSL witnessed an improvement in FY09 over FY08 due to increase in earnings of the company.

The unaudited working results for the quarter ended June 30, 2009 were, by and large, comfortable.

Industry Outlook & Prospects

The domestic alcohol industry offers high growth potential due to low per capita consumption of liquor, as compared to other countries, despite generating significant revenue for the state exchequer (being the second largest).

Industrial alcohol is used in the manufacture of medicine, paints, soaps, pesticides, etc. The Govt. of India has made blending of 5% ethanol in petrol (called gasohol) mandatory in nine sugarcane producing states from January 2003 which has thrown up huge opportunities for industrial alcohol. The potable alcohol segment has been growing at rate of 10% over the last few years and is expected to rise at a CARG of 13% over the next five years.

Further, high taxation and heavy regulation also make the industry dynamics complex. The uniqueness of the industry lies in its convoluted tax structure, imposition of import and export duties on inter-state transfer of liquor, apart from other taxes. These lead to the setting up of a number of small production capacities across the country by liquor manufacturers, contract distillers and bottlers. Also, there is a ban on all forms of direct and indirect advertising for liquor in the country.

Financial Results

(Rs.crore)			
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GCA	13.3	18.5	22.0
Financial Position			
Equity share capital	7.7	12.3	12.3
Tangible networth	27.3	50.6	66.9
Total capital employed	35.9	65.3	84.2
Key Ratios			
Growth			
Growth in Total income (%)	31.99	42.07	24.96
Growth in PAT (after defd. tax) (%)	65.37	46.02	2.29
Profitability			

CARE Ratings

PBILDT/Total operating income (%)	13.64	14.89	14.05
PAT/Total income (%)	7.71	7.93	6.48
ROCE (%)	44.39	40.49	29.59
Average cost of borrowing (%)	9.26	9.15	18.51
Solvency			
Long term debt equity ratio (times)	0.21	0.10	0.05
Overall gearing ratio (times)	0.31	0.29	0.26
Interest coverage (times)	23.06	18.28	7.42
Term debt / GCA (years)	0.42	0.27	0.15
Liquidity			
Current ratio (times)	1.44	1.39	1.33
Quick ratio (times)	0.89	0.97	0.84
Turnover			
Average collection period (days)	23	26	32
Average creditors (days)	33	39	45
Average inventory days	27	36	43
EPS (Rs.)	11.26	10.31	10.55

DISCLAIMER:

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Globus Spirits Limited (GSL) - Press Release

CARE retains ratings to the long/medium & short-term bank facilities of Globus Spirits Ltd.

CARE has retained a 'CARE BBB+' (Triple B plus) rating to the long/medium term bank facilities of Globus Spirits Ltd. (GSL). Facilities with 'CARE BBB' rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk. CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position of the company within the band covered by the rating symbol.

Further, CARE has retained a 'PR2' (PR two) rating to the short term bank facilities of GSL. Facilities with this rating would have adequate capacity for timely payment of short-term debt obligations and carry higher credit risk as compared to facilities rated higher. These ratings are assigned to short term, medium term and long term bank facilities aggregating Rs.21.1 crore. A snapshot of the ratings assigned is as under:-

Instrument	Amount (Rs. crore)	Rating
Long/medium-term bank facilities	19.1	'CARE BBB+' (Triple B plus)
Long/Short-term bank facilities	2.0	'CARE BBB+' (Triple B plus)/ 'PR2' (PR two)
Total	21.1	

Rating Rationale

The ratings draw strength from experienced & qualified promoter and management team of the company, its significant presence in the Country Liquor (CL) segment, experience in bottling for large Indian Made Foreign Liquor (IMFL) players, captive power plant (CPP), technological flexibility of the plants enabling the use of both grains & molasses as raw material, comfortable financial position with low level of gearing and stable outlook for the industry. The ratings are however, constrained by relatively small size of the company, its recent foray in selling IMFL under own brands in the market already captured by large players of the industry, risks associated with implementation of on-going projects, volatility in raw material prices, sensitivity of the business to Government regulations for imposition of additional duties and/or restriction on usage of alcohol and the present economic slowdown. Maintaining reasonable rate of growth, success of its own brands in IMFL segment and ability to raise funds through IPO in the current scenario to timely complete the ongoing projects are the key rating sensitivities.



Company Profile

GSL is the present name of Globus Agronics Ltd., a company incorporated in February, 1993. The company was promoted by Shri Ajay Kumar Swarup of Delhi, an alumnus of IIM Kolkata. It is engaged in the business of manufacturing, marketing and selling of various industrial and potable alcohol products namely - Extra Neutral Alcohol (ENA), Rectified Spirit (RS), CL and IMFL. The manufacturing facilities are located at Samalkha (Haryana) and Behror (Rajasthan) – both having capacity of 144 lakh bulk litre each.

GSL is implementing projects comprising expansion-cum-modernisation of capacity (from 288 lakh BL to 498 lakh BL per annum), setting up of new CPP, revamping IMFL bottling section and brand launching for IMFL at an aggregate project cost of Rs.89.3 crore, with the project debt-equity ratio being 0.16:1. The projects, in entirety, are expected to be completed by Mar., 2010.

In FY09, the company earned PBILDT of Rs.27.9 crore and PAT (after defd. tax provision) of Rs.12.9 crore on gross sales of Rs.281.4 crore. Gross sales increased at a CARG of about 48%, during FY06 to FY09, with year-on-year growth of about 19.5% in FY09. PBILDT increased at a lower rate of 18.2% leading to a decline in PBILDT margin.

Relatively higher increase in capital charges led to relatively lower growth (of about 11.1%) in PAT (before defd. tax) vis-à-vis PBILDT. However, PAT (after defd. tax) witnessed a marginal growth of about 2% only in FY09 over FY08 due to higher deferred tax provision. PAT margin declined accordingly.

Gross Cash Accruals (GCA) at Rs.22.0 crore in FY09 was comfortable, given the level of outstanding long-term borrowings.

Long-term debt-equity and overall gearing ratios improved and were comfortable. Interest coverage, though declined significantly due to higher capital charges, was satisfactory at 7.42 in FY09. Current ratio was adequate at 1.33 as on Mar.31, 2009.

The unaudited working results for the quarter ended June 30, 2009 were, by and large, comfortable.

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 issuers of securities and entities whose bank facilities are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/securities issued.

Globus Spirits Limited (GSL)
Press Release

CARE assigns 'CARE IPO Grade 3' grading to the proposed Initial public offer (IPO) of Globus Spirits Ltd. (GSL).

CARE IPO Grade 3 indicates 'average fundamentals'. CARE's IPO grading assigned to any individual issue represents a relative assessment of the fundamentals of the issuer.

GSL proposes an IPO of around 75 lakh equity shares of Rs.10 each

Grading Rationale

The grading derives strength from experienced & qualified promoter and management team of the company, its established presence in the Country Liquor (CL) segment, experience in bottling for large Indian Made Foreign Liquor (IMFL) players, captive power plant (CPP), technological flexibility of the plants enabling the use of both grains & molasses as raw material, comfortable financial position with low level of gearing and stable outlook for the industry. Independent directors of the company are quite participating in the affairs of the company and corporate governance practices of the company appear to be satisfactory. The grading is however, constrained by relatively small size of the company, its recent foray in selling IMFL under own brands in the market already captured by large players, risks associated with implementation of on-going projects, volatility in raw material prices and sensitivity of the business to Government regulations.

Company Profile

GSL is the present name of Globus Agronics Ltd., a company incorporated in February, 1993. The company was promoted by Shri Ajay Kumar Swarup of Delhi, an alumnus of IIM Kolkata. It is engaged in the business of manufacturing, marketing and selling of various industrial and potable alcohol products namely - Extra Neutral Alcohol (ENA), Rectified Spirit (RS), CL and IMFL. The manufacturing facilities are located at Samalkha (Haryana) and Behror (Rajasthan) – both having capacity of 144 lakh bulk litre each.

GSL is implementing projects comprising expansion-cum-modernisation of capacity (from 288 lakh BL to 498 lakh BL per annum), setting up of new CPP, revamping IMFL bottling section and brand launching for IMFL, at an aggregate project cost of Rs.89.3 crore with the project debt-equity ratio being 0.16:1. The projects, in entirety,

are expected to be completed by Mar., 2010. The major (Rs.54 crore) source of fund is estimated to be through placement of IPO and hence the success of IPO is critical to the implementation of the project.

Net sales witnessed a CARG of about 31.5% during FY06 to FY09, with y-o-y growth of about 25.6% in FY09. PBILDT increased at a lower rate of 18.2% mainly due to increase in APP of molasses and grains, leading to a decline in PBILDT margin. Capital charges increased at relatively higher CARG of 63% during the last three years with y-o-y increase of 74% in FY09. Relatively higher increase in capital charges led to relatively lower growth (CARG of about 37.1%) in PAT (after deferred taxation) vis-à-vis PBILDT. However, PAT (after deferred tax) witnessed a marginal growth of about 2% only in FY09 over FY08 due to higher deferred tax provision. PAT margin accordingly declined in FY09.

Gross Cash Accruals (GCA) at Rs.22.0 crore in FY09 was comfortable, given the level of outstanding long-term borrowings.

Long-term debt-equity and overall gearing ratios have generally been comfortable.

Interest coverage, though declined significantly due to higher capital charges, was satisfactory at 7.42 in FY09. Current ratio was adequate at 1.33 as on Mar.31, 2009.

EPS of GSL witnessed an improvement in FY09 over FY08 due to increase in earnings of the company.

The unaudited working results for the quarter ended June 30, 2009 were, by and large, comfortable.

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DISCLAIMER:

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not 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. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

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