



Update for 2008-09

Performance of ICRA-Assigned Ratings

The performance of ICRA-assigned ratings in 2008-09 is a reflection of the higher-than-expected deterioration in the operating environment during the year. While the worsening of the environment started with some of the major global financial markets experiencing a large-scale meltdown, the impact of the same continues to cause stress in economies across the globe, including India. The Indian real sector economy, although being integrated to a lesser extent with the global markets in terms of trade, has nonetheless been impacted adversely, given the increasing inter-linkages between its financial markets and their global counterparts. With the operating environment reporting a sharp and unanticipated deterioration in 2008-09, the credit profiles of some of the entities rated by ICRA also deteriorated as demand fell, profitability margins came under increasing pressure, capital structures weakened, and refinancing risks increased. Consequently, in 2008-09, the number of rating downgrades far exceeded the number of upgrades, even as in the previous calendar the number of rating downgrades had been just marginally higher than the number of upgrades.

This rating feature presents a study of the transitions made by ICRA-assigned ratings, in terms of upgrade and downgrade, in 2008-09*. The key findings of the study are presented in the following bullet list.

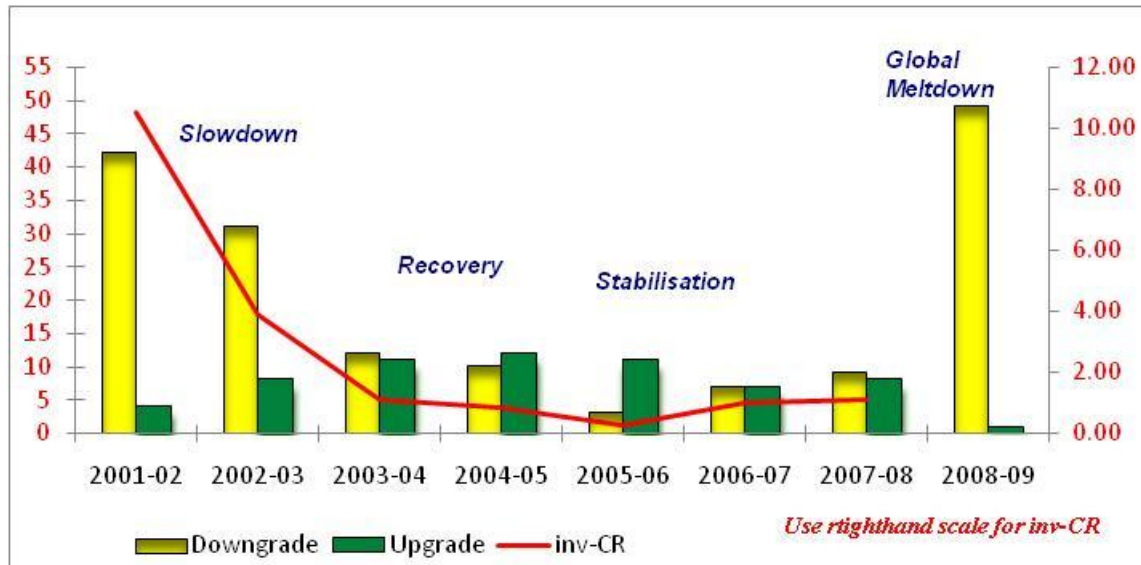
- The total number of rating changes in the Long-Term/Medium-Term category was 50 in 2008-09 (as against 17 in 2007-08), of which the number of downgrades was 49 (9) and one was an upgrade (8).
- The total number of rating changes in the Short-Term category was 45 in 2008-09 (as against 16 in 2007-08), of which 44 (12) were downgrades and 1 (4) was an upgrade.
- Overall, ratings for 62 issuers were changed in 2008-09 (as against 31 in 2007-08), of whom 60 were downgraded (19) and 2 (12) were upgraded. The downgrading of the 60 issuers involved 74 rating actions¹, implying that some of the issuers were downgraded more than once during the year.
- The second half of 2008-09 accounted for around 90% of the downgrades (based on rating actions); none of the rating actions led to an upgrade in the second half.
- The number of rating actions as a percentage of the number of issuers with live ratings (as on April 1, 2008) was 18% in 2008-09. Of these actions 97% were negative (that is, downgrades) and the balance 3% positive (that is, upgrades).

* For its rating-transition study, ICRA has now switched over to the financial year format from the calendar year format followed earlier and has included rating changes across the short-term rating categories as well.

¹ Multiple rating changes made in the same direction during the same rating session for the same issuer are counted as one rating action. For instance, if on a particular day (say, March 30, 2008), a particular issuer's long-term rating is downgraded from LAA- to LA and its short-term ratings are revised from A1+ to A1, the rating actions (of April 30, 2008) would be counted as a single action of rating downgrade for the issuer concerned.

1. Downgrades increase substantially

CHART 1: ISSUER WISE RATING REVISIONS (LONG- & MEDIUM-TERM) SINCE 2001-02



ICRA considers both medium- and long-term rating revisions (including bank loan ratings) to calculate the inverse credit ratio (inv-CR), which is the ratio between downgrades and upgrades. For 2008-09, the Inv-CR is not meaningful as there was only one upgrade that year.

- The sharp increase in the number of rating downgrades in 2008-09 followed five consecutive years of relatively low downgrades (by number).
- As for the magnitude of rating changes, the proportion of downgraded entities breaching their respective rating categories was 65% in 2008-09 as against 56% in 2007-08.
- Around one-fifth of the entities² downgraded in 2008-09, moved into the Non-Investment grade; none of such downgraded entities moved into the Non-Investment grade the previous fiscal.

2. Second half of 2008-09 accounts for most rating downgrades

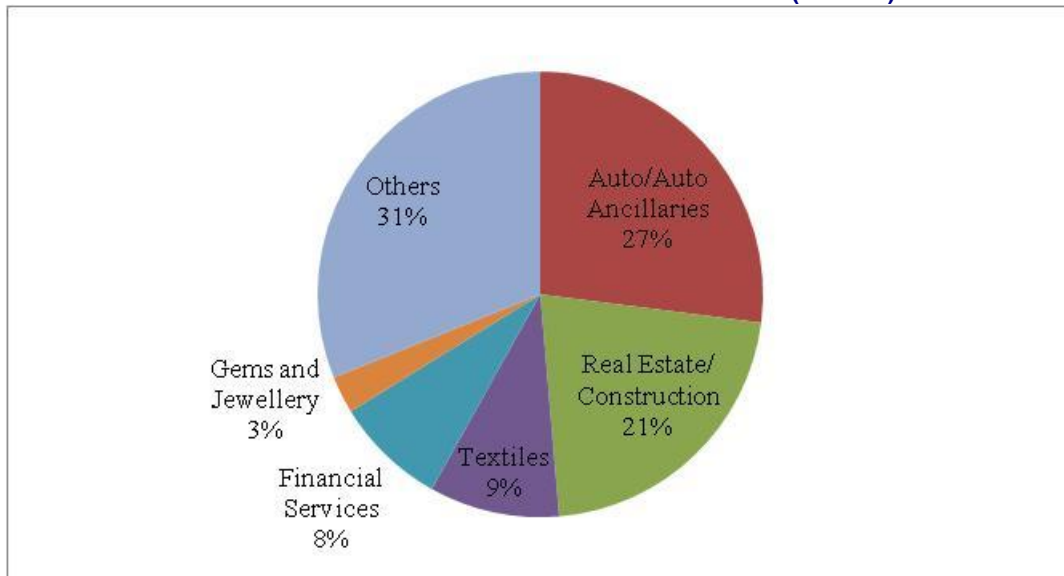
This study, in analysing the transition of ICRA-assigned ratings, also examines the concentration (or distribution) of rating actions (in terms of upgrade and downgrade) across industries, across issuers and across causative factors. Among causative factors, the economic slowdown and the liquidity and refinancing risks on Indian corporate entities during the second half of 2008-09 stand out for the force of their impact. This is clearly brought out by the fact that the latter half of 2008-09 accounted for close to 90% of the total number of downgrades effected during the fiscal full year (as against nil upgrades during the same period).

² earlier rated in Investment Grade

3. Auto/auto Ancillaries and real estate companies account for almost half the downgrades

The distribution of rating downgrades (effected in 2008-09) across industries is depicted in *Chart 2*.

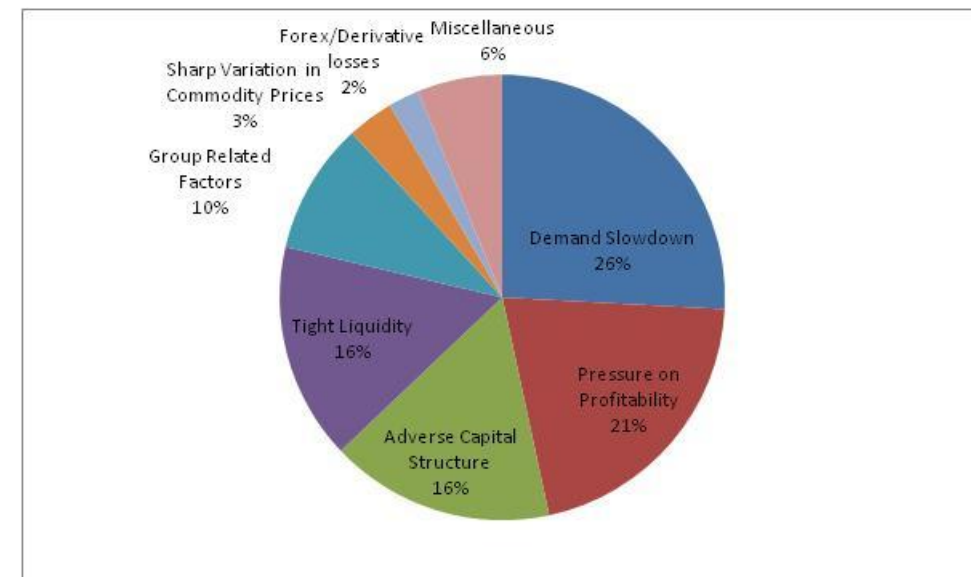
CHART 2: DISTRIBUTION OF RATING DOWNGRADES BY INDUSTRY (2008-09)



4. Rating downgrades prompted mainly by demand slowdown, profitability pressures and funding constraints

The distribution of rating downgrades (effected in 2008-09) across causative factors³ is depicted in *Chart 3*.

CHART 3: PRIMARY REASONS FOR RATING DOWNGRADES (2008-09)



³ Multiple reasons could have led to a rating change

Outlook

While liquidity pressures in the Indian economy have eased since September-October 2008 and certain key sectors indicate some signs of improvement, ICRA believes the operating environment for business enterprises will remain difficult in calendar 2009. However, the intensity of stress is likely to be lower for most sectors. During the rest of 2009, the following factors would continue to impact the credit profiles of ICRA-rated entities:

- Slowdown in demand (especially in exports and to an extent in a few sectors in the domestic market)
- Availability of fewer avenues of cost-effective refinancing/financing and limited investor (equity) interest
- Losses associated with volatility in exchange rates and commodity prices
- Pressures on profitability
- Lengthening of working capital cycle
- Heightened uncertainties in general

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Annexure

Table A: DETAILS OF RATING CHANGES IN 2008-09

Company Name	Revised Rating	Earlier Rating	Industry
Upgrades			
Essel Mining & Industries Limited	A1+	A1	Metals and Mining
Global Trade Finance Limited	LAA+	LAA&	Financial Services
Global Trade Finance Limited (Preference shares)	LAA	LAA-&	Financial Services
Downgrades			
Adarsh Developers	crLBB+	crLBBB	Real Estate
Ashok Leyland Limited	LAA-	LAA	Auto
BEML Limited	IrAA+	IrAAA	Construction Equipment
Bengal Ambuja Housing Development Limited	A2+	A1	Real Estate
Bharat Forge Limited	LAA-	LAA	Auto Ancillaries
C. Mahendra Exports Limited	A3+	A2	Gems and Jewellery
Cholamandalam DBS Finance Limited	LAA-	LAA	Financial Services
Cholamandalam DBS Finance Limited	MAA-	MAA+	Financial Services
CitiFinancial Consumer Finance India Limited	LAA+	LAAA	Financial Services
CitiFinancial Consumer Finance India Limited	LAA	LAA+	Financial Services
DCM Shriram Consolidated Limited	A2+	A1	Miscellaneous
DCM Shriram Consolidated Limited	LA-	LA	Miscellaneous
Dharampal Satyapal Limited	A1	A1+	Miscellaneous
Dharampal Satyapal Limited	LA	LA+	Miscellaneous
DLF Limited	A1	A1+	Real Estate
DLF Limited	A2+	A1	Real Estate
GMR Energy Limited	A3	A2	Power
GMR Energy Limited	LBBB-	LBBB	Power
H & R Johnson (India) Limited	A2+	A1	Building Material
H & R Johnson (India) Limited	LBBB+	LA-	Building Material
Hero Motors Limited	A2+	A1	Auto
Hinduja Foundries Limited	LBBB-	LBBB	Auto Ancillaries
Hinduja Foundries Limited	A3	A2	Auto Ancillaries
Hinduja Foundries Limited	A4+	A3	Auto Ancillaries
Hinduja Foundries Limited	LBB+	LBBB-	Auto Ancillaries
Hindustan Latex Limited	A1	A1+	Miscellaneous
Hindustan Latex Limited	LA	LA+	Miscellaneous
Hindustan Sanitaryware & Industries Limited	A1	A1+	Miscellaneous
Hughes Communications India Limited	A1	A1+	Infrastructure
Hydro S & S India Limited	A2+	A1	Auto Ancillaries
Hydro S & S India Limited	LBBB+	LA-	Auto Ancillaries
IDEB Projects Pvt Limited	A4	A2	Construction
IDEB Projects Pvt Limited	LBB-	LBBB	Construction
IG Petrochemicals Limited	A4+	A3	Petroleum/Oil & Gas
IG Petrochemicals Limited	LBB+	LBBB-	Petroleum/Oil & Gas
IVRCL Infrastructure and Projects Limited	LAA-	LAA	Construction
Jay Polychem (India) Limited	A3+	A2	Chemicals

Company Name	Revised Rating	Earlier Rating	Industry
Jay Polychem (India) Limited	LBBB-	LBBB	Chemicals
Laxmi Diamond Pvt. Limited	A3+	A2	Gems and Jewellery
Liberty Shoes Limited	A2+	A1	Footwear
Lumax Industries Limited	A2+	A1	Auto Ancillaries
Lumax Industries Limited	LBBB+	LA-	Auto Ancillaries
Manipal Health Systems Limited	A4	A2+	Healthcare
Manipal Health Systems Limited	LBB	LBBB+	Healthcare
Maytas Infra Limited ^	A3	A1@	Real Estate
Maytas Infra Limited ^	LBBB	LA@	Real Estate
Mirza International Limited (Fund Based)	LBBB+	LA-	FMCG
Nahar Industrial Enterprises Limited	A2+	A1	Textile
Nahar Industrial Enterprises Limited	A3+	A2+	Textile
Nahar Industrial Enterprises Limited	LBBB	LBBB+	Textile
Nelcast Limited	A2+	A1	Auto Ancillaries
Nelcast Limited	LBBB+	LA-	Auto Ancillaries
Precot Meridian Limited	LBBB	LBBB+	Textile
Precot Meridian Limited	A2	A2+	Textile
Pricol Limited	A2+	A1	Auto Ancillaries
Pricol Limited	LA-	LA	Auto Ancillaries
Pricol Limited	A2	A2+	Auto Ancillaries
Pricol Limited	LBBB+	LA-	Auto Ancillaries
Rajapalayam Mills Limited	A3	A3+	Textile
Rajapalayam Mills Limited	LBBB-	LBBB	Textile
Ramco Industries	A2+	A1	Miscellaneous
Ramkrishna Forgings Limited	A2	A1	Auto Ancillaries
Ramkrishna Forgings Limited	LBBB	LA-	Auto Ancillaries
Rane Engine Valve Limited	MA+	MAA	Auto Ancillaries
Rane Engine Valve Limited	A1	A1+	Auto Ancillaries
Rane Engine Valve Limited	LA	LA+	Auto Ancillaries
Rane Engine Valve Limited	MA	MA+	Auto Ancillaries
Rico Auto Industries Limited	A2+	A1	Auto Ancillaries
Rico Auto Industries Limited	LA-	LA	Auto Ancillaries
Shasun Chemicals & Drugs Limited	A1	A1+	Pharmaceuticals
Shasun Chemicals & Drugs Limited	A2	A1	Pharmaceuticals
Shasun Chemicals & Drugs Limited	LBBB	LA	Pharmaceuticals
Sheth Developers Limited	LBBB+	LA-	Real Estate
Sobha Developers Limited	A2+	A1	Real Estate
Sobha Developers Limited	LBBB+	LA	Real Estate
Sobha Developers Limited	LBB-	LBBB+	Real Estate
Soma Enterprises Limited	A2+	A1	Real Estate
Soma Enterprises Limited	LA-	LA	Real Estate
Soma Enterprises Limited	A4	A2+	Real Estate
Soma Enterprises Limited	LBB-	LA-	Real Estate
Sona Koyo Steering Systems Limited	A1	A1+	Auto Ancillaries
Sona Koyo Steering Systems Limited	A2	A1	Auto Ancillaries
STCL Limited	A4	A1	Miscellaneous
STCL Limited	LBB	LA-	Miscellaneous

Company Name	Revised Rating	Earlier Rating	Industry
Tata Metaliks Limited	LA@	LAA	Metals and Mining
Tata Metaliks Limited	IrA@	IrAA	Metals and Mining
Tata Metaliks Limited	A2+@	A1	Metals and Mining
Tata Motors Finance Limited	LAA-	LAA@	Financial Services
Tata Motors Finance Limited	LA+	LAA-	Financial Services
Tata Motors Finance Limited	A1	A1+	Financial Services
Tata Motors Limited	LAA-	LAA@	Auto
Tata Motors Limited	LA+	LAA-	Auto
Tata Motors Limited	A1	A1+	Auto
Tata Tea Limited	LAA	LAA+	FMCG
TDI Infrastructure Private Limited	LBBB-	LBBB	Real Estate
Television Eighteen Limited	LBBB	LA-	Media/Entertainment
Television Eighteen Limited	MA-	MA	Media/Entertainment
Unitech Limited	A2+	A1+	Real Estate
Vardhman Polytex Limited	A4+	A2	Textile
Vardhman Polytex Limited	LBB+	LBBB	Textile
Wheels India Limited	A2+	A1	Auto Ancillaries
Wheels India Limited	LA-	LA	Auto Ancillaries
Ansal Properties and Infrastructure Limited	MB+^	MA-	Real Estate
Madhucon Agra Jaipur Expressway Limited	LBB+	LBBB-	Roads
VRL Logistics Limited	LB+	LBB	Transportation
Paramount communications limited	LBBB-	LA-	Power / telecom cables
Paramount communications limited	A3	A2+	Power / telecom cables
Madhucon Projects Limited	LA	LA+	Construction
Koutons Retails India Limited	LBBB+	LA-	Textile
Koutons Retails India Limited	A2	A1	Textile
Oswal Spinning and Weaving Mills Limited	A4	A4+	Textile
Oswal Spinning and Weaving Mills Limited	LB-	LBB+	Textile

& Under rating watch with developing implications

@ Under rating watch with negative implications

^ Rating suspended



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