

May 7, 2010

CARE ASSIGNS RATINGS 'BB' & 'PR4' RATING TO THE BANK FACILITIES OF ADHUNIK ALLOYS & POWER LTD.**Ratings Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	332.12	'CARE BB' (Double B)	Assigned
Short-term Bank Facilities	49.00	'PR4' (PR four)	Assigned
Total Facilities	381.12		

Rating Rationale

The above ratings are constrained by company's short track record in manufacturing operation, closely held nature of business, non-integrated nature of operations, low capacity utilisation, high debt level vis-à-vis cash accruals, stretched liquidity position leading to unsatisfactory debt servicing track record, volatility in respect of prices of raw materials & finished goods, cyclicity in the iron & steel industry and intense competition. The ratings also factor in the experience of the promoters, group support and strategic location of plants with proximity to market & sources of raw materials. Ability to improve profitability & liquidity position and derive benefit from its backward & forward integration projects would remain the key rating sensitivities.

Company profile

AAPL, incorporated in 2003, belongs to Adhunik group of Kolkata. The company commenced manufacturing activity in July, 2005 with a sponge iron plant at Village Seraikela, Jharkhand. Currently, AAPL is engaged in manufacturing of sponge iron and billets, besides being engaged in trading activity for iron & steel related products. Its operations are also supported by a coal washery, railway siding and captive power plant (CPP of 30 MW).

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

On a total income of Rs.245.0 crore (FY08 – Rs.179.2 crore), AAPL earned PBILDT of Rs.28.5 crore (FY08 – Rs.23.8 crore) and PAT (after defd. tax) of Rs.12.0 crore (FY08 – Rs.10.9 crore) in FY09.

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CARE 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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