

June 18, 2010

CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF ALLIED STRIPS LIMITED**Ratings Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Fund-based Long-term Bank Facilities	63.75	'CARE BB+' (Double B Plus)	Reaffirmed
Non Fund-based Short-term Bank Facilities	9.00	'PR4' (PR Four)	Reaffirmed
Total Facilities	72.75		

Rating Rationale

The ratings are constrained due to the elevated financial risk profile of ASL characterised by high gearing levels, low profitability margins, significant capex and capacity expansion plans vis-a-vis exiting size of the company and high working capital utilization.

However, the ratings derive strength from the ASL's long track record, established relationship with its customers and improvement in the financial indicators as compared to previous years.

Going forward, the ability of ASL to sustain profitability, successful implementation of expansion plans and ability to tie-up with the customers for additional production resulting from the proposed expansion will be the key rating sensitivities.

Company Profile

ASL was set up in 1992 by Mr. M.K. Agarwal, a first-generation entrepreneur and started commercial operation in 1994. ASL is primarily engaged in the manufacturing of cold rolled coils and strips of varying sizes. ASL also receives revenues from sale of intermediary product i.e. HR Pickled coils and sale of scrap. ASL plant is located at Jhajjar, Haryana with an installed capacity of 60,000 MTPA of CR strips.

ASL is working on expansion plans of wider width Cold Rolled Close Annealed (CRCA) Coils/Sheets with an installed capacity of 3,00,000 TPA.

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

Operating income of ASL increased by 17% to Rs.182 crore in FY09 from Rs.155 crore in FY08 mainly on account of higher quantity sold, which was aided by an increase in installed capacities and high realizations. PAT was at Rs.4.0 crore in FY09 as compared to Rs.1.5 crore in FY08.

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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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