

September 17, 2010

CARE ASSIGNS 'CARE C' AND 'PR4' RATINGS TO BANK FACILITIES OF AMIT METALIKS LTD.**Ratings**

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	58.25	'CARE C'	Assigned
Short-term Bank Facilities	1.20	'PR4' (PR Four)	Assigned
Total Facilities	59.45		

Rating Rationale

The above ratings are constrained by the short track record of the company in manufacturing operation, volatility in the prices of raw material and finished goods, uncertainties associated with the recent major accident in the plant, instances of delay in servicing of term loans in the last six months, presence in lower end of the product value chain resulting in lower profitability, high overall gearing and low debt coverage indicators, risk associated with the ongoing & proposed projects vis-a-vis delay in implementation of the ongoing project and cyclical nature of the steel industry along with high degree of competition. The ratings also factor in the experience of promoters, strategic location of the plant and backward integration for key raw material through an associate company. Timely servicing of debt, ability of the company to improve its profitability & leverage ratios and successful completion of the ongoing and proposed projects are the key rating sensitivities.

Company Background

Amit Metaliks Limited (AML) was incorporated in Sept. 2004 and taken over by Shri Amit Kumar Singh and his two brothers, the current promoters, in Sep. 2007. Thereafter, the company set up a billet manufacturing plant with an installed capacity of 57,600 MT per annum (mtpa) at Durgapur, West Bengal. The plant commenced commercial production in June 2008.

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

On a total income of Rs.62.2 crore, AML earned a PAT of Rs.0.6 crore in FY09. The provisional FY10 result witnessed an increase in net sales, PBILDT & PAT level and GCA. While the leverage ratios remained on the higher side, the liquidity ratios were moderate.

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