

May 5, 2010

CARE ASSIGNS 'BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES OF ARKKAYS NATIONAL ENGINEERING AND FOUNDRY CO

Ratings Assigned

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	51.00	'CARE BBB-' (Triple B Minus)	Assigned
Short-term Bank Facilities	24.75	'PR3' (PR Three)	Assigned
Total Facilities	75.75		

The rating assigned by CARE is based on the capital deployed by the Proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the Proprietor in addition to the financial performance and other relevant factors.

Rating Rationale

The ratings factor in the firm's established track record with over three decades of operations in the bright bar manufacturing business, good client base, capability to produce value added bright bars with improved operational efficiency in the new production plant and conservative financial management practices adopted by the promoters in the past characterized by plough back of major share of profits back into the firm and near absence of debt before the commencement of the new project. However, the above ratings are constrained by constitution of the entity being a proprietorship firm, declining sales volume & value between FY07 and FY09, establishment of new project with nearly four times the existing capacity, increase in project cost and delay in project execution resulting in rescheduling of term loan, highly competitive industry with low entry barriers and firm being exposed to the risk of volatile raw material prices.

Ability of the firm to achieve higher growth and larger market share by leveraging the improved technology of the new production unit, produce larger volumes of value added products, and achieving better customer relationships by directly supplying to the end customers would remain the key rating sensitivities.

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

Firm Profile

Established in 1964, ANEF is engaged in the business of production of steel bright bars. Mr. Ashok Bulchandani, Managing Director took charge of the business in 1974 and there on with him as the proprietor (Katha), ANEF has continued to operate as a Hindu Undivided Family [HUF]. As on Mar 31, 2009, the firm had a production capacity of 18,000 M.T.PA of steel bright bars spread across three units in Chennai and is also in the process of establishing another unit with a production capacity of 75,000 M.T.PA in Chennai which is expected to begin commercial production from Apr'10.

In FY09, ANEF reported PAT of Rs.3 cr on a total income of Rs.73 cr as against PAT of Rs.5cr on a total income of Rs.89cr during FY08. The firm reported a cash loss of Rs.0.7cr on a total income of Rs.33cr during H1FY10 (prov).

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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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