
October 12, 2010

**CARE ASSIGNS 'CARE BB' AND 'PR4' RATING TO BANK FACILITIES OF BASAI
STEELS & POWER PVT LTD**

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	224.50	CARE BB (Double B)	Assigned
Short-term Bank Facilities	32.00	PR4 (PR Four)	Assigned
Total	256.50		

Rating Rationale

The rating factors in the limited experience of the promoters in manufacturing of steel, cost & time escalation for the project under implementation, funding for the cost escalation which is yet to be tied up, exposure to volatility in steel prices, absence of backward linkages and cyclical nature inherent to the industry. However, the ratings also factor in the experience of the promoters in trading of steel, integrated nature of the proposed steel manufacturing facility with captive co-generation power plant, availability of iron ore in the vicinity of the plant and equity infusion of the promoters as on March 31, 2010 towards the project. The ability of the company to complete the project without further delay, stabilisation of operations and improve profit margin are the key rating sensitivities.

Company Profile

Basai Steels Private Ltd was started as a proprietorship concern by Mr. Gopal Agarwal in 1992. The same was converted into a private limited company in January 2002 and renamed Basai Steels & Power Pvt Ltd (Basai) in June 2010. Basai is into trading of steel products catering mainly to the Hyderabad region. Presently, the company is in the process of setting up an integrated steel manufacturing plant with co-generation power plant at total project cost of Rs.278.83 cr funded at a debt to equity ratio of 1.84x. The

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

integrated steel plant is being set up at Sidaginamola Village, Bellary district, Karnataka. In FY09, the company achieved revenue of Rs.352.8 cr and PAT of Rs.1.4 cr. On a total income of Rs.417.7 cr, Basai earned a PAT of Rs.2.40 cr in FY10 (Provisional). The overall gearing ratio was at 2.05x and the current ratio was at 1.15x as on March 31, 2010.

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