

August 23, 2010

**CARE ASSIGNS 'CARE BB(SO)' AND 'PR4(SO)' RATING TO THE BANK FACILITIES OF
BENAKA SPONGE IRON PVT LIMITED****Rating Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	24.70	CARE BB (SO) { Double B(Structured Obligation)}	Assigned
Short-term Bank Facilities	1.00	PR4(SO) {(PR Four(Structured Obligation)}	Assigned
Total Facilities	25.70		

Rating Rationale

The ratings are based on the strength of unconditional and irrevocable corporate guarantee provided by Nava Karnataka Steels Pvt Ltd (NKSPL) (rated CARE BB/PR4) vide guarantee deed dated Mar 29, 2010.

The ratings of NKSPL are constrained by highly leveraged capital structure, high exposure to group companies, decline in revenue in FY10, volatility in raw material prices, cyclical nature of the steel industry and intense competition in the industry. However, the ratings draw strength from NKSPL's long track record of operations, experienced management, group support for supply of raw materials, presence of backward integration to some extent and close proximity of NKSPL to raw materials. Going forward, increase in steel demand, ability of NKSPL to scale up operations and improve the margins and continuation of support from group companies for raw materials and improve on leverage & debt service parameters will be the key rating sensitivities.

Company Profile

BSIPL was incorporated in the year 2004 and was taken over by Bhuwalka Steel Industries Limited (rated CARE B/PR4) in Feb 2007. The day-to-day operations of BSIPL are managed by Mr Ajay Kumar Bhuwalka, Director.

BSIPL is engaged in manufacturing of sponge iron. The company operates a plant in Bellary District, Karnataka with an aggregate installed capacity of 0.60 lakh MTPA as on June 30, 2010. BSIPL achieved PAT of Rs.0.2 cr against net sales of Rs.64.8 cr in FY09. During FY10 (provisional), PAT was Rs. 1.8 cr on net sales of Rs. 61.0 cr.

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

About NKSPL

NKSPL is an associate company of BSIPL. NKSPL is engaged in manufacturing of MS Ingots/billets and MS rolled products with installed capacity of 1.2 lakh MT p.a (0.6 lakh MT each for MS Ingots and TMT bars) as on Mar 31,2010. During FY09, NKSPL reported PAT of Rs.1.4 cr against net sales of Rs.188.2 cr and in FY10 company reported stagnant PAT of Rs.1.4 cr over FY09 against net sales of Rs.143.5 cr

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CARE has 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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