

August 16, 2010

**CARE ASSIGNS 'CARE A+' RATING TO NCD ISSUE OF
BHUSHAN STEEL LTD**

Bank Facilities	Amount (Rs. cr)	Ratings ¹	Remarks
LT Non Convertible Debenture (NCD)	1,500	'CARE A+' [Single A Plus]	Assigned

Rating Rationale

The ratings takes into account the significant improvement in BSL's profitability and financial risk profile, brought about by healthy growth in sales volumes of Cold Rolled (CR) steel coupled with infusion of Rs.700 cr by the promoters as Cumulative Redeemable Preference Shares during FY10. The rating also factors in the completion of Phase II of the integrated expansion plan and stable outlook for CR sales in the medium term backed by robust growth in the auto & consumer durables sector.

The ratings continue to favorably factor in BSL's dominant position in the domestic CR, Galvanised Plain (GP)/Galvanised Corrugated (GC) segments, diversified customer base, strong export presence in GP/GC segments and track record of profitable operations.

Going forward, the implementation of the expansion project within the envisaged time and cost estimates shall be the key rating sensitivities.

Company Profile

BSL was promoted by Mr B.B. Singal in 1987 and is engaged in the business of steel manufacturing, steel processing and related activities. It is one of the largest secondary steel producers with 1 Million Tonne Per Annum (MTPA) of CR facility and has a broad product portfolio comprising CR, galvanised and colour-coated steel strips/sheets.

BSL is implementing a backward integration project at Orissa to manufacture HR Coils to be executed in three phases. The estimated cost of the entire expansion plan is Rs.13,790 cr and is expected to be fully completed by October 2012. Phase I of the project was completed in FY08.

Phase II of the project comprising 1.3 MTPA hot metal, 2 MTPA slab caster and 1.9 MTPA Hot Rolling Mill (HRM) was completed in March 2010. This marks BSL's entry into manufacturing of its key raw material i.e., Hot Rolled Coil, which provides it with better control over the cost and enhances its ability to withstand the cyclicity of the steel business. Phase III (the final phase) is under execution and is expected to be implemented by October 2012.

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

Net sales of BSL increased by 13.7% to Rs.5,641 cr in FY10 (unaudited), on account of higher volumes sold during the year. PBDILT and PAT for FY10 were Rs.1,449 cr and Rs.829 cr respectively, up 41% and 97% respectively over FY09. PBDILT margin improved to 25.7% in FY10 (P.Y.: 20.7%) owing to lower average raw material cost coupled with benefits of backward integration accruing from its billets and sponge iron manufacturing unit.

Analyst Contact

Name: Kapil Sachdeva

Tel # 01123318701

Email: kapil.sachdeva@careratings.com

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.

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>