

July 22, 2010

CARE ASSIGNS 'CARE B' AND 'PR4' RATING TO THE BANK FACILITIES OF BHUWALKA STEEL INDUSTRIES LTD.**Rating Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	62.00	CARE B (Single B)	Assigned
Short-term Bank Facilities	20.00	PR4 (PR Four)	Assigned
Total Facilities	82.00		

Rating Rationale

The above ratings are constrained by delays in debt servicing in the past on account of tight liquidity position, cash losses incurred in FY09, high working capital utilization and high overall gearing, rescheduling of term loans by bankers in FY10, cyclical nature of the steel industry, lack of integration, exposure to subsidiary companies as well as foray into real estate, which is a new sector for BSIL. However, the ratings draw strength from BSIL's long-standing presence in the industry, experienced management and diversified product range.

Going forward, increase in steel demand, the ability of BSIL to improve margins and generate sufficient cash accruals, improve working capital management and improve on leverage and debt service parameters will be the key rating sensitivities.

Company Profile

BSIL was incorporated in August 1981 as a Private Limited Company and subsequently was converted into Public Limited Company in July 1987. BSIL manufactures Mild steel rolled products, such as TMT Rebars and structural products such as MS Flats, MS Angles, MS Squares, MS Channels, MS Beam, MS Round, Gate channels and T Angles. In FY08, BSIL entered into jewellery business, which accounts for a minor share in total business.

BSIL, currently, operates two units one located at Hoskote, Bangalore and the other located at Wada, Mumbai. The aggregate installed capacity of both the units was at 2.68 lakh metric tonnes per annum (MTPA) as on November 30, 2009.

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

BSIL incurred losses (after tax) of Rs.8 cr against net sales of Rs.492 cr in FY09. Interest coverage was below unity in FY09. The overall gearing was high at 4.20x as on March 31, 2009. In H1FY10, BSIL registered PAT of Rs.0.5 cr against net sales of Rs.187.5 cr.

Analyst Contact

Name: Sharmila Jain
Tel : +91-080-22117141
Mobile : +91-9886024430
Email: sharmila.jain@careratings.com

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.

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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 Praladnagar 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>