

October 20, 2010

**CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
CHANDAN STEEL LTD****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	126.07	CARE BB (Double B)	Revised from CARE BBB- (Triple B Minus)
Short-term Bank Facilities	150.50	PR4 (PR Four)	Revised from PR3 (PR Three)
Total Facilities	276.57		

Rating Rationale

The rating revision is on account of a few instances of delay in repayment of packing credit in foreign currency (PCFC) facilities and CSL's stressed liquidity owing to an extended working capital cycle during FY10.

The ratings are constrained by CSL's moderate liquidity, its high gearing ratios, subdued demand from the company's major markets, i.e. European countries, its vulnerability to fluctuations in raw material prices and euro-rupee exchange rate movements, and the inherent cyclical nature of the stainless steel industry.

The ratings are, however, supported by the experience of the promoters in manufacturing of stainless steel (S.S.) products, a reasonably long track record of CSL in the stainless steel business, its increasing focus on value-added products and successful implementation of the seamless S.S. tube and pipe project without major time or cost overrun.

The ability of CSL to maintain its sales and profitability margins in the persisting environment of fluctuating raw material prices and subdued demand are the key rating sensitivities.

Company Background

Incorporated in 1989, CSL is engaged in manufacturing of a wide range of S.S. long products, such as, S.S. bright bars, wires, angles, channels and flats as well as S.S. flanges, a specialised product, with a primary focus on exports. CSL has an installed capacity for operations from melting to finishing of 30,000 tonnes per annum (tpa) at its plant located at Umbergaon, district Valsad, Gujarat. The company was promoted by Mr Chunilal G. Chandan, the Chairman of CSL, who has more than 45 years of experience in the iron and steel industry. He is supported by his sons Mr Dilip C. Chandan, the Managing Director, and Mr Vijay C. Chandan, the Joint Managing Director of CSL.

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

During FY10, CSL achieved PAT of Rs.5.23 crore on a total income of Rs.305.34 crore.

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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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