

June 1, 2010

**CARE ASSIGNS 'BBB' AND 'PR3' RATING TO THE BANK FACILITIES OF
CREST STEEL & POWER PVT LTD****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	61.62	'CARE BBB' (Triple B)	Assigned
Short-term Bank Facilities	15.90	PR3 (PR Three)	Assigned
Total Facilities	77.52		

Rating Rationale

The ratings derive strength from the experience of the promoters of Crest Steel & Power Pvt Ltd (CSPL) in the domestic steel industry, the support from the promoters evidenced by regular infusion of funds, improved performance of the company subsequent to its takeover by the Topworth Group, successful commissioning of the Una facility, locational advantage of the Durg plant with proximity to raw material sources, and the long-term arrangements in place for procurement of coal and iron ore.

The ratings are, however, constrained by the relatively small size of operations of CSPL, the relatively low capacity utilisation, the lack of complete backward integration, its high working capital utilisation, and the inherent cyclicity in the steel industry. CSPL's ability to fund large-scale expansions without affecting its debt profile as well as sustain the improvement in margins and ensure effective utilisation of capacities are the key rating sensitivities.

Company Profile

Incorporated in 2004, CSPL is engaged in manufacturing sponge iron, billets and thermo-mechanically treated (TMT) bars. The company has manufacturing facilities at Durg, Chhattisgarh and Una, Himachal Pradesh. In April 2007, CSPL was acquired by the Topworth Group and had been under its management since then. CSPL was a loss-making unit before the acquisition by the Topworth Group and started making profits subsequent to the acquisition. The Topworth Group has presence in metal, mining and power sectors and is led by Mr. Abhay Lodha (Chairman), who controls investment decisions of the group and has more than a decade of experience in steel trading and manufacturing.

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

CSPL achieved PAT of Rs.17.09 crore on a total income of Rs.172.81 crore during FY09. During 9MFY10, CSPL achieved PBT of Rs.16.50 crore on a total income of Rs.192.45 crore.

Analyst Contact

Name: Shailendra Gavali

Tel # 6754 3404

Mobile # 98199 71118

Email: shailendra.gavali@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 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 Place No. 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.Ashwini Jani 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 – 91766 47599 E-mail : ashwini.jani@careratings.com</p>	<p>Mr. Rahul Patni Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 _40102030 Mobile – 91600 04563 E-mail: rahul.patni@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>