

May 12, 2010

**CARE RETAINS RATINGS ASSIGNED TO THE BANK FACILITIES OF
DANKUNI STEELS LTD.****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	241.1 (reduced from 245.2)	'CARE BBB' (Triple B)	Retained
Short-term Bank Facilities	74.1	'PR3+' (PR Three plus)	Reaffirmed
Total Facilities	315.2		

Rating Rationale

The above ratings continue to draw strength from the reasonably significant position of the group in the domestic steel sector, experience of promoters, satisfactory capacity utilisation, forward & backward integration initiatives taken by the company and moderate financial position. The ratings are however, constrained by relatively small size of the company, volatility in raw material & finished goods prices, low profitability margin, risks associated with implementation of ongoing projects, cyclicity in business and intense competition from unorganised sector players. Future trend in sales price realisation vis-à-vis demand as well as key raw material prices and ability to maintain margins will remain the key rating sensitivities.

Company Profile

DSL, incorporated in 1995, is promoted by Concast group of Kolkata – an established steel manufacturing group in secondary sector in eastern India. The group is, currently, in the hands of Shri Sanjay Sureka of Kolkata.

The company is engaged in manufacturing of pig iron (1,20,000 tpa) and slag based cement (50,000 tpa) at Srikakulam, Andhra Pradesh. Besides manufacturing, DSL is also engaged in trading of various iron & steel materials.

DSL is expanding the capacity in blast furnace unit and is setting up a sintering plant, a foundry casting unit and a captive power plant at its existing unit, at an aggregate project cost of Rs.250 crore. While the blast furnace and the CPP were commissioned in September 2009, the sintering plant and foundry are expected to be operational from September, 2010.

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

DSL earned PBILDT of Rs.22.1 crore (Rs.18.0 crore in FY08) and PAT (after defd. tax) of Rs.4.7 crore (Rs.6.1 crore in FY08) on net sales of Rs.500.3 crore (Rs.272.6 crore in FY08) in FY09. GCA level stood at a moderate level of Rs.6.9 crore in FY09.

Long term debt equity & overall gearing ratios were at moderate levels as on March 31, 2009 due to equity infusion of Rs.54.3 crore by the promoters. Current ratio, as on Mar. 31, 2009 was adequate.

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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.

Disclaimer

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