

July 8, 2010

**CARE REAFFIRMS THE RATING TO THE BANK FACILITIES OF  
ESSAR STEEL ORISSA LTD.****Ratings**

<b>Facilities/Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	1,431.00	<b>'CARE BBB-' (Triple B Minus)</b>	Reaffirmed
<b>Total Facilities</b>	<b>1,431.00</b>		

**Rating Rationale**

The rating continues to consider the promoters' experience in setting up and running pellet plants and their support infrastructure including slurry pipelines and the proximity of the pellet plant to the Paradip port.

However, the rating is constrained by pending approvals for the project, project implementation risk, lack of long-term contracts for sourcing of raw material, delay in commencement of commercial operations due to change in the scope of the project and absence of financial tie-up for the enhanced project size.

The promoter's ability to infuse the balance equity, the completion of the beneficiation and the pellet plant projects and pending merger with Essar Steel Ltd are the key rating sensitivities.

**Company Profile**

Essar Steel Orissa Limited (ESOL) was incorporated in 2006 to set up a pellet plant for producing Blast Furnace (BF) grade pellets and Direct Reduced (DR) grade pellets. The proposed plant was expected to commence by October 2012. As per the revised plans, the project capacity has been revised from 8.00 mtpa to 12.00 mtpa. Consequently, the expected revised cost for the same is Rs.4,177 crore as against Rs.2,249 crore projected earlier.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publication



*Press Release*

In December 2009, the Essar group has announced its plans to merge ESOL, Essar Steel Hazira Ltd, Hazira Plate Ltd and Hazira Pipe Mill Ltd into Essar Steel Limited, the group's flagship steel company. ESOL has received approval from the Bombay High Court and is awaiting approval from the Ahmadabad High Court for the merger. Further details on the merger are awaited.

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