

June 18, 2010

**CARE ASSIGNS 'CARE BB' AND 'PR4' RATINGS TO THE BANK FACILITIES OF FAIRDEAL SUPPLIES LTD.****Ratings**

<b>Facilities/Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	52.99	'CARE BB' (Double B)	Assigned
Short-term Bank Facilities	117.50	'PR4' (PR Four)	Assigned
Long/Short-term Bank Facilities	305.00		
<b>Total Facilities</b>	<b>475.49</b>		

**Rating Rationale**

The rating factors in FSL's weak financial profile as characterised by operating loss incurred in FY09 and lower income and profits in 9MFY10, high overall gearing, weak debt servicing parameters, stressed liquidity scenario and vulnerability of its margins to movement in exchange rate & commodity prices especially due to predominantly trading nature of operations. These weaknesses are, however, partially offset by the vast experience of promoters and long established track record of operations.

The ability to improve financial risk profile and debt servicing in light of weak debt servicing parameters remain the key rating sensitivities.

**Company Profile**

Incorporated in 1987, FSL is the flagship company of Frontline Group and has a long track record of operations dealing in various types of coals and metallurgical coke. FSL has two plants located near Pipavav and Kandla Ports in Gujarat having total installed capacity of 1,25,000 MTPA of met coke. The major business activity is trading of coking coal, metallurgical (met) coke, pig iron & iron ore; trading sales accounted for around 87% of total sales in FY09.

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

During FY09, total operating income declined to Rs.752 crore against Rs.896 crore in FY08. PAT margin also declined to 0.19% in FY09 against 2.77% in FY08. During 9MFY10 (provisional), operating income declined to Rs.334 crore and the company earned a PBT of Rs.3.57 crore.

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