

May 12, 2010

CARE ASSIGNS 'BBB-' AND 'PR3' RATING TO THE BANK FACILITIES OF HIRA CONCAST LTD.

Facilities	Amount (Rs. crore)	Rating¹	Remarks
Long term bank facilities	23.25	'CARE BBB-'	Assigned
Short term bank facilities	11.50	'PR3'	Assigned
Total	34.75		

Rating Rationale

The above ratings draw strength from the experience of promoters, strategic location of the plants and comfortable gearing ratios. The ratings are however, constrained by the short track record (more particularly of manufacturing operations), low capacity utilisation, low profitability, volatility in raw materials & finished goods prices and cyclicity in the steel industry along with increasing competition from the unorganised sector. Ability of the company to increase its scale of operation and improve profitability would remain the key rating sensitivities.

Company profile

CL, incorporated in 2005, started manufacturing operation in April, 2007. It is, currently, engaged, in manufacturing of ingots and ferro alloys, besides being involved in trading of steel & related products. The ferro alloy plant was completed in February, 2010.

HCL was promoted by Shri Vijay Kumar Patni faction belonging to the Impex Group of Kolkata. The group is an established steel manufacturer in the secondary sector in Eastern India with more than a decade of operation.

In FY09, HCL earned PBILDT of Rs.3.6 crore (P.Y. Rs.3.5 crore) and PAT (after defd. tax) of Rs.1.2 crore (P.Y. Rs.1.3 crore) on a total income of Rs.119.6 crore (P.Y. – Rs.81.2 crore). Interest coverage ratio was satisfactory in FY09 and gearing ratios were also comfortable as on Mar.31, 2009.

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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.

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

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