

June 22, 2010

CARE ASSIGNS 'CARE A- (SO)' AND 'PR1 (SO)' RATING TO THE BANK FACILITIES OF MONNET DANIELS COAL WASHERIES PVT. LTD.

Rating

Facilities	Amount (Rs. cr)	Ratings ¹	Remarks
Long-term Loans from Banks #	12.04	CARE A- (SO) [Single A Minus (Structured Obligation)]	Assigned
Cash Credit	1.00	CARE A- (SO) [Single A Minus (Structured Obligation)]	Assigned
Bank Guarantee	7.50	PR1(SO) [PR One (Structured Obligation)]	Assigned
Total	20.54		

Outstanding as on January 31, 2010

Rating Rationale

The above ratings are based on the credit enhancement in the form of Letter of Comfort (LoC) from Monnet Ispat & Energy Ltd. (MIEL) (rated CARE A+ and PR1+ for its bank facilities and Non Convertible Debentures).

MIEL's ratings reflect its consistent track record of profitable operations, operational efficiency achieved through semi integrated nature of operations with captive coal mines and power generation capacity. The rating also factors in the MIEL's experienced management team, healthy operating cash flows and improved product mix with the presence in value-added steel products. The ratings are partially offset by MIEL's higher financial commitments towards its subsidiaries, large capex plans and cyclicity inherent in the steel business.

Going forward, the ability of MIEL to execute the capex plans within time and cost estimates, sustenance of cash generation capacity and impact of its financial commitments towards its subsidiaries/group companies on MIEL's credit profile would be the key rating sensitivities.

Company Profile

MDCW is a new company floated by the Monnet Ispat & Energy Ltd. (MIEL) and Gupta Coalfields & Washeries Ltd. (GCWL) (rated CARE BBB and PR3+ for its bank facilities) with MIEL and GCWL holding a stake of 51.65% and 30% respectively and is engaged in the running of a coal washery unit in the North Karnpura area of Jharkhand for processing of non-coking coal for use by three thermal plants (located in Bhatinda, Ropar and Lehra Mohabbat in Punjab) of Punjab State Electricity Board (PSEB). The washery has a capacity to process 3.5 metric tonnes per annum (MTPA) of raw coal per annum

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

About MIEL

MIEL is the flagship company of the Monnet Group. As on March 31, 2009, it had an aggregate manufacturing capacity of 8,00,000 metric tonnes per annum (mtpa) of Sponge iron, 5,00,000 mtpa of Billets, 2,00,000 mtpa of Structural steel, 58,400 mtpa of Ferro alloys apart from 150 MW of power. MIEL registered a total income of Rs.1,549 cr with a PAT of Rs.216 cr during FY09 and a total income of Rs.1,062 cr with a PAT of Rs.193 cr during 9MFY10.

The project was completed at a total cost of Rs.53.76 cr and started commercial operations in November 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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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