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CARE ASSIGNS 'CARE BB+' AND 'PR4' RATINGS TO THE BANK FACILITIES OF NATIONAL STEEL AND AGRO INDUSTRIES LTD.

CARE has assigned the '**CARE BB+**' (**Double B Plus**) rating to the long-term bank loans / facilities and '**PR 4**' (**PR Four**) rating to the short-term bank loans / facilities of National Steel and Agro Industries Limited (NSAIL).

Facilities with 'Double B' rating are considered to offer inadequate safety for timely servicing of debt obligations and carry high credit risk. This rating is applicable for facilities having tenure of more than one year. Facilities with 'PR 4' rating would have inadequate capacity for timely payment of short-term debt obligations and carry very high credit risk. Such facilities are susceptible to default. This rating is applicable for facilities having tenure up to one year.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Facilities	Amount (Rs. crore)	Rating
Outstanding term loan as on Dec.31, 2009	105.72	CARE BB+
Sanctioned Fund based working capital limits	130.00	CARE BB+
Sanctioned non fund based working capital limits	725.00	PR4

Rating Rationale

The ratings are constrained by fluctuations in raw material prices which can potentially affect the profitability on account of lack of backward integration, high overall gearing, working capital intensive operations, location disadvantage and inherent risk associated with cyclical nature of the steel industry. Further, sharp movement in the raw material prices and foreign exchange fluctuation had resulted in to cash loss during FY09. Nevertheless, ratings consider NSAIL's established presence as part of the Ruchi group and established position in the Central India with good brand name. Ratings also consider improvement in the financial risk profile during 9MFY10.

Improvement in the financial risk profile, ability to pass on raw material prices and managing working capital are key rating sensitivities.

Company profile: NAIL belongs to Ruchi Group and engaged in the manufacturing of cold rolled sheets, galvanised sheets and color coated sheets.

During FY09, NSAIL reported operating income of Rs.2123 crore and net loss of Rs.89 crore against operating income of Rs.2156 crore and net profit of Rs.28 crore during FY08. During 9M Y10, NSAIL reported operating income of Rs.1589 crore and PAT of Rs.8 crore.

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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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