

August 4, 2010

CARE ASSIGNS 'CARE BB' AND 'PR4' RATING TO THE BANK FACILITIES OF NAVA KARNATAKA STEELS PVT LTD.**Rating Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	28.40	CARE BB (Double B)	Assigned
Short-term Bank Facilities	0.50	PR4 (PR Four)	Assigned
Total Facilities	28.90		

Rating Rationale

The ratings are constrained by Nava Karnataka Steels Pvt Ltd's (NKSPL) highly leveraged capital structure, high exposure to group companies, decline in revenue in FY10, volatility in raw material prices, cyclical nature of the steel industry and intense competition in the industry. However, the ratings draw strength from NKSPL's long track record of operations, experienced management, group support for supply of raw materials, presence of backward integration to some extent and close proximity of NKSPL to raw materials.

Going forward, increase in steel demand, ability of NKSPL to scale up operations and improve the margins and continuation of support from group companies for raw materials and improve on leverage & debt service parameters will be the key rating sensitivities.

Company Profile:

NKSPL was incorporated in the year 1974 and was taken over by Bhuwalka Group in 1991. NKSPL is engaged in manufacturing of MS ingots and TMT Bars. NKSPL operates a manufacturing facility in Bellary District, Karnataka with a total capacity of 1.20 Lakh Metric Tonnes per annum (0.6 lakh MT each for MS Ingots and TMT bars) as on June 30, 2010. The day-to-day operations of the company are managed by Mr Ajay Kumar Bhuwalka, Director.

NKSPL achieved PAT of Rs.1.4 cr against net sales of Rs.188.2 cr in FY09. The overall gearing ratio was at 2.10x as on March 31, 2009. During FY10 (provisional), PAT was Rs.1.4 cr on net sales of Rs.143.5 cr.

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Press Release

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