

June 4, 2010

CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES OF PRECISION METALS

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	8.00	'CARE BBB-' [Triple B Minus]	Assigned
Short-term Bank Facilities	3.00	'PR3' (PR Three)	Assigned
Total Facilities	11.00		

Rating Rationale

The ratings derive strength from experience of the promoters in the stainless steel related industry, its comfortable solvency ratios and healthy profitability margins.

The ratings are constrained by the partnership nature of the entity, relatively small size of the operations, significant dependence on exports to Europe, limited products offerings, non-integrated nature of business operations, foreign exchange risk and inherently cyclical nature of the stainless steel industry.

Ability of PM to get continuous support from the parent (Venus) group in the future and its ability to maintain the margins during the cyclicity of the stainless steel industry are the key rating sensitivities.

Company Profile

Precision Metals (PM), a partnership firm, was established in 2001 by the promoters of Venus Wire Industries Private Ltd. which is the flagship company of the 'Venus' group. PM is engaged in manufacturing and sale of Stainless Steel (SS) wires and SS bright bars as well as trading of the same and it mainly caters to the exports market with focus on European countries. The basic raw material for the firm is SS rods and wire rods which is sourced mainly from the domestic market. On a total net sales of Rs.81.64 crore PM earned a PAT of Rs.6.52 crore in FY09. It has achieved net sales of Rs.37.75 crore in 9MFY10 with PBILDT of Rs.6.23 crore and PAT of Rs.3.32 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.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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