

July 20, 2010

CARE ASSIGNS 'CARE BB+' AND 'PR4' RATINGS TO THE BANK FACILITIES OF RKKR STEELS LTD.**Ratings**

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	29.31	'CARE BB+' (Double B Plus)	Assigned
Short-term Bank Facilities	5.10	'PR4' (PR Four)	Assigned
Total Facilities	34.41		

Rating Rationale

The ratings are constrained by commodity nature of company's finished product, low and volatile profit margins, relatively high gearing levels, low capacity utilization level and extension of corporate guarantee to one of its group companies. Above ratings also factor in cyclical nature of steel industry.

Above ratings also factor in the experience of promoters in the steel industry, long standing relationship with customers, established brand 'RKKR' and low capital cost of its plant.

In a scenario of poor power supply situation in the state of Tamil Nadu, ability of the company to improve the capacity utilization level is a key rating sensitivity. This assumes more significance with the company expanding its existing production capacity.

Company Profile

Incorporated in 1965, RKKR Steels Ltd (RKKR) has a steel rolling mill for production of TMT bars. The plant located at Thiruvottriyur, Chennai has an installed capacity of 48,000 Tonnes Per Annum (TPA) as on Mar '10.

During FY09, RKKR registered a PAT of Rs.0.46 cr on a total operating income of Rs.155 cr. During 11mFY10 (Prov), RKKR posted a Profit Before Tax of Rs.0.34 cr on a total operating income of Rs.105 cr.

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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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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.

¹Complete definition of the ratings assigned are available at www.careratings.com

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