

September 27, 2010

**CARE ASSIGNS 'CARE BB-' AND 'PR4' RATINGS TO THE BANK FACILITIES OF SPS METAL CAST & ALLOYS LTD.****Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	24.5	'CARE BB-' (Double B Minus)	Assigned
Short-term Bank Facilities	21.0	'PR4' (PR Four)	Assigned
<b>Total Facilities</b>	<b>45.5</b>		

**Rating Rationale**

The above ratings factor in the low & stagnant level of capacity utilisation, volatility in the prices of raw material and finished goods, significant level of low margin trading business, presence in lower end of the product value chain, continuous cash losses between FY07 to FY09, instances of delay in servicing of term loans in the last one year, substantial amount of guarantees issued on behalf of group companies and cyclical nature of the steel industry alongwith high degree of competition. The ratings however, derive strength from considerable experience of promoters, group support, strategic location of the plant and moderate leverage ratios. Stable business operations with sustained track record of profitability, future performance of steel industry and trend in key raw material and finished goods prices are the key rating sensitivities.

**Company Background**

SPS Metal Cast & Alloys Ltd. (SMCAL), incorporated in 1990, belongs to SPS group of Kolkata. While company started with manufacturing of ingots in February 1994 at its plant at Durgapur (West Bengal), currently the company is engaged in manufacturing of billets as also trading of various iron & steel products.

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

The financial performance between FY07 to FY09 is characterised by negative operating margins, negative interest coverage, low current ratio and moderate leverage ratios. On a total income of Rs.231.8 crore, SMCAL had a operating loss of Rs.15.1 crore and PAT of Rs.0.2 crore in FY09.

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