

June 16, 2010

CARE REAFFIRMS 'CARE BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES OF SPS STEEL & POWER LTD.**Ratings**

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	480.36 (reduced from 639.35)	'CARE BBB-' (Triple B Minus)	Retained
Short-term Bank Facilities	110.99 (reduced from 130.99)	'PR3' (PR Three)	Retained
Total	591.35		

Rating Rationale

The aforesaid ratings continue to draw strength from the experience of the promoters, fund infusion by way of equity participation by the Concast group, established position in the domestic steel sector as an integrated steel player and wide acceptance of its products. Introduction of value added products through successful commissioning of the ongoing projects also supports retention of the ratings. The ratings also factor in volatility in prices of raw materials & finished goods, significant amount of low margin trading business, high leverage ratios, demerger of two units producing low margin products, cyclicity in steel industry and intense competition from unorganised sector players. Future trend in sales price realisation as well as key raw material prices and ability to maintain margins will remain the key rating sensitivities.

Company Profile

SSPL, promoted by Shri Bipin Kr. Vohra and Shri Arjun Kr. Santhalia, belongs to the SPS group of Kolkata, an established steel manufacturer in secondary sector in eastern India. The group has a number of companies engaged in manufacturing of steel and steel related products with facilities located at different parts of West Bengal, Himachal Pradesh & Orissa.

The promoters, Shri Bipin Kr. Vohra (Chairman) and Shri Arjun Kr. Santhalia (Director), are commerce graduates with about 15 years of experience in both manufacturing and trading of steel products. During FY09, two of the three existing manufacturing units (located in Durgapur, West Bengal and Bilaspur, Himachal Pradesh) of SSPL were demerged and merged with the associate company, SPS Steels Rolling Mills Ltd. (SSRML), with retrospective effect from April 01, 2008, as per the order of the Hon'ble High Court of Kolkata. In FY10, the Concast group has taken 50% equity stake in SSPL.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications.

In FY09, the company earned PBILDT and PAT (after defd. tax) of Rs.57.4 crore and Rs.4.4 crore on a net sales of Rs.867.8 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.

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