

July 27, 2010

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SPS STEELS ROLLING MILLS LTD.**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	207.82 (enhanced from Rs.153.82 crore)	'CARE BBB-' (Triple B Minus)	Retained
Short-term Bank Facilities	23.95 (enhanced from Rs.21.0 crore)	'PR3' (PR Three)	Retained
Total Facilities	231.77		

Rating Rationale

The above ratings continue to draw strength from the experience of promoters, considerable growth in operations and income, established brand, moderate financial position and operational efficiency by virtue of turning into an integrated steel player due to the merger of two units of the group company. The ratings are however, constrained by closely held nature of the company, low profit level & margin, volatility in input & finished goods prices, cyclicality in the steel industry along with increasing competition from unorganised sector and complete dependence on the fortunes of steel industry. Improvement in demand for steel in medium to long term, ability of the company to improve its profitability and exhibit sustainable performance by deriving benefit from the recent merger would remain the key rating sensitivities.

Company Profile

Incorporated in 1981, SPS Steels Rolling Mills Ltd. (SSRML) is engaged in manufacturing of sponge iron (54,000 tpa), billets (2,17,270 tpa) and TMT bars (2,90,542 tpa), besides trading of iron & steel products.

The company's ingot casting plant was scrapped in FY09. Further, during FY09, two units (producing sponge iron, billets & TMT bars) of a group company, SPS Steel & Power Ltd. (SSPL) were merged with SSRML with retrospective effect from April 01, 2008; thus, expanding the product portfolio of SSRML. The company is, currently, engaged in manufacturing of sponge iron, billets and TMT bars, besides being involved in trading of iron & steel products.

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

On a total income of Rs.954.5 crore, SSRML earned a PAT of Rs.6.3 crore in FY09. The provisional FY10 result witnessed an increase in net sales, PBILDT & PAT level and GCA. The liquidity and solvency ratios were also satisfactory. Interest coverage ratio improved in FY10.

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