

August 26, 2010

CARE ASSIGNS 'CARE B+' AND 'PR4' RATINGS TO THE BANK FACILITIES OF SRC UDYOG LTD.**Ratings Assigned**

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	73.30	'CARE B+' (Single B plus)	Assigned
Short-term Bank Facilities	3.10	'PR4' (PR Four)	Assigned
Total Facilities	76.40		

Rating Rationale

The aforesaid ratings factor in the relatively small size of the company, its closely held nature, short track record in manufacturing operation, volatility in prices of raw materials & finished goods, cyclicality of the industry, delay in repayment of instalment in the recent past, intense competition, high overall gearing ratio, low profitability, high collection period, non achievement of financial closure and risk of project implementation. The ratings also takes into account the experience of the promoter, group support, strategic location of plants with proximity to market and source of the raw materials, moderate financial position and established clientele base. Successful implementation of the proposed project, infusion of funds by the promoters in future years for strengthening financial position, ability to improve its profitability, future prospects for the steel industry and trend in key raw material prices are the key rating sensitivities.

Company Profile

SRC Udyog Limited (SUL), promoted by Shri Ramesh Chander Agarwala and his son Shri Pankaj Lohariwal of SRC group of Kolkata, was incorporated in August, 2002, under the name and style of SRC Vyapaar Pvt. Ltd. The name of the company was subsequently changed to SRC Udyog Pvt. Ltd. In March, 2009, the company was converted into a public limited company and got the present name. The company, after incorporation, was involved only in trading of iron & steel related products and is currently, engaged in de-coiling of HR/chequered coils into HR/chequered sheets & plates (with a capacity of 24,000 tons per annum) in Howrah district of West Bengal, manufacturing and selling of ferro alloys (with a capacity of 21,500 tons per annum) in Bankura district of West Bengal. It was also involved in trading of iron & steel products upto FY10, however, it has stopped the trading activity from FY11.

SUL has envisaged expansion of its existing ferro alloys unit from 21,500 mtpa to 64,500 mtpa at a cost of Rs.29.2 crore, proposed to be financed at a debt equity of 2.4:1. Financial closure for the project is yet to be achieved. Thus, SUL has project implementation risk.

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

On a total income of Rs.244.3 crore, SUL earned a PAT of Rs.2.0 crore in FY10. Although long term debt-equity ratio at 0.24 as on Mar.31, 2010 was comfortable, the overall gearing ratio at 1.31 as on Mar.31, 2010 was high. Though the current ratio as on Mar.31, 2010 appears to be comfortable at 1.27, SUL is suffering from stretched liquidity condition.

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