

August 27, 2010

**CARE ASSIGNS CARE 'AA-' RATING TO THE NCD ISSUE AND
REAFFIRMS RATINGS TO THE BANK FACILITIES/DEBT INSTRUMENTS OF
SARDA ENERGY & MINERALS LTD.**

Ratings

Facilities / Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Non-convertible Debentures	125.00	CARE AA- (Double A Minus)	Assigned
Long-term Non-convertible Debentures	7.50	CARE AA- (Double A Minus)	Reaffirmed
Total Instruments	132.50		
Long-term Bank Facilities	441.37	CARE AA- (Double A Minus)	Reaffirmed
Short-term Bank Facilities	249.95	PR1+ (PR One Plus)	Reaffirmed
Total Facilities	691.32		

Rating Rationale

The ratings derive strength from experience of the promoters in the steel industry, availability of captive source of power, successful completion of the majority of the expansion projects, stabilization of power plant operations post temporary disruption, moderate fund-based utilization, low gearing ratios and commencement of supply of coal from captive coal mines during FY10.

The ratings are, however, constrained by decline in sales and profitability in FY10, capital commitment towards ongoing projects in subsidiary companies, competition from unorganized players in the sponge iron market, lack of complete backward integration and the highly cyclical nature of the steel industry.

The ability of SEML to operate and utilize iron ore from captive mines along with the stabilisation of the expanded capacities are the key rating sensitivities.

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

Company Profile

SEML manufactures sponge iron, steel billets, steel ingots and manganese-based ferro alloys. During FY10, SEML has completed four major projects viz. pellet plant, coal mines, railway siding and 30MW power plant.

SEML reported net sales of Rs.523 crore and PAT of Rs.63 crore in FY10. The overall gearing ratio improved to 0.77x as on March 31, 2010.

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CARE has 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.

Disclaimer

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