

August 12, 2010

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES
SATHAVAHANA ISPAT LTD.**

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	268.75 (reduced from Rs.283.63cr)	'CARE BBB +' (Triple B Plus)	Reaffirmed
Short-term Bank Facilities	362.00	'PR2' (PR Two)	Reaffirmed
Total Facilities	630.75		

Rating Rationale

The ratings continue to factor in the experienced management and long track record of SIL, strategic location of manufacturing units in the iron ore belt, backward integration to metallurgical coke, benefits arising out of relationship with Stemcor, a strategic investor in SIL and regular upgradation of technology and capacity expansion to achieve economies of scale. These factors are offset by volatility associated with coking coal prices, a key raw material, declining sales realization from Pig iron & metallurgical coke impacting SIL's profit margins and slowdown in production levels of Pig iron and Metallurgical coke due to declining demand in Engineering, Construction & Foundry segments as a result of economic slowdown. The company's ability to pass on fluctuations in raw material prices and its ability to complete the ongoing projects within stipulated cost and time form the key rating sensitivities.

Company Profile

SIL commenced its operations on May 8, 1990 and manufactures Pig iron, with an installed capacity of 2,10,000 TPA. SIL has integrated backward into manufacturing of metallurgical coke and has an installed capacity of 3.00,000 TPA. SIL also operates a co-generation power plant of capacity 30 MW at its Metallurgical coke plant. The company is expanding its metallurgical coke manufacturing capacity by 1,50,000 TPA and co-generation power plant capacity to 50 MW from its existing 30 MW.

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

SIL achieved net sales of Rs.539 cr and PAT of Rs.13 cr in FY09. The company has achieved net sales of Rs.269 cr in 9M FY10 and PBILDT of Rs.48 cr in the same period. The company has achieved PAT of Rs.16 cr in 9M FY10.

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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.

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