

July 27, 2010

CARE ASSIGNS 'CARE BB' AND 'PR4' RATING TO THE BANK FACILITIES OF SHIVSHAKTI SPONGE IRON LTD.

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long term bank facilities	6.20	'CARE BB' (Double B)	Assigned
Short term bank facilities	0.80	'PR4' (PR four)	Assigned
Total	7.00		

Rating Rationale

The above ratings are constrained by SSSL's small size, closely held nature, low capacity utilisation, declining revenue & low profitability, volatility in raw material & finished goods prices, high level of raw material inventory, sales concentration to group company, occasional delays in servicing interest on debt & dishonouring of cheques, lack of backward integration and complete dependence on the fortunes of the cyclical steel industry. The rating also factors in experience of the promoters, close proximity to rawmaterial sources and satisfactory leverage position. Optimisation of inventory holding and ability to increase capacity utilisation, turnover & profitability on a sustained basis would remain to be the key rating sensitivities.

Company profile

Shiv Shakti Sponge Iron Ltd. (SSSL) was incorporated in August 2000 for manufacturing of sponge iron. Later it was taken over by the current promoters - Shri Amit Kumar Singh & his two brothers in January, 2009

In FY09, SSSL earned PBILDT of Rs.1.1 crore (P.Y. Rs.1.4 crore) and PAT (after defd. tax) of Rs.0.2 crore (P.Y. Rs.0.3 crore) on a total income of Rs.11.7 crore (P.Y. – Rs.18.5 crore). Interest coverage ratio was moderate in FY09 and gearing ratios were also comfortable as on Mar.31, 2009.

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

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