

May 4, 2010

CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF SHREE RAM VESSEL SCRAP PVT. LTD.

CARE retained the '**CARE BB+**' (**Double B Plus**) rating assigned to the long-term bank loans / facilities and '**PR4**' (**PR Four**) rating assigned to the short-term bank loans/facilities of Shree Ram Vessel Scrap Pvt. Ltd. (SRVS) for an aggregate amount of Rs.35.10 crore.

Facilities with 'Double B' rating are considered to offer inadequate safety for timely servicing of debt obligations. Such facilities carry high credit risk. This rating is applicable for facilities having tenure of more than one year. Facilities with 'PR Four' rating would have inadequate capacity for timely payment of short-term debt obligations and carry very high credit risk. Such facilities are susceptible to default. This rating is applicable for facilities having a tenure upto one year.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Facility	Amount (Rs. crore)	Rating
Long-term Bank Facilities	5.10	'CARE BB+'
Short-term Bank Facilities	30.00	'PR4'
Total	35.10	

Rating Rationale

The ratings continue to be constrained by SRVS's relatively weak financial risk profile though improved in FY09, high operating risk resulting in volatile profitability and its operations in a cyclical ship breaking industry having high regulatory risk. SRVS's significant exposure in real estate project also constrained the rating. The ratings, however, continue to factor in SRVS's long and established track record and Shree Ram Group's sizeable presence in the domestic ship breaking industry. SRVS's ability to improve its financial risk profile, while withstanding the volatility in scrap prices and its extent of exposure to real estate industry are key rating sensitivities.

Company Profile

Incorporated in 1998, SRVS belongs to the Shree Ram Group of Companies based at Bhavnagar (Gujarat) and is in the business of ship breaking with four ship breaking yards located at Alang operated through four different entities including SRVS. All four firms operate under a common management platform. At present the group operates under four different entities with each having a separate allotted area and its market share in the Alang Ship Breaking Yard is around 8%.

On a total income of Rs.129.11 crore, SRVS earned a PAT of 2.02 crore in FY09. During 9MFY10, the company registered total income of Rs.70 crore with PAT of Rs.1.83 crore.

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CARE 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

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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