

June 22, 2010

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

**Ratings Assigned**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	66.47	'CARE BB' (Double B)	Reaffirmed
Short-term Bank Facilities	164.00	'PR4' (PR Four)	Reaffirmed
<b>Total Facilities</b>	<b>230.47</b>		

**Rating Rationale**

The ratings continue to be constrained by Soni Ispat Ltd.'s (SIL) weak financial risk profile, as indicated by low profitability and stressed liquidity which has resulted in few instances of LC devolvement and overdrawings in bank working capital limits in the recent past. The risk associated with the ongoing project which has not yet achieved financial closure and its operations in a cyclical and working capital intensive steel industry also constrain the ratings. The ratings factor in SIL's established and modest size of operations and experienced promoters in the steel industry. The company's ability to improve its financial risk profile, through better profitability and improvement in liquidity position and successful implementation of its ongoing project are key rating sensitivities.

**Company Profile**

SIL belongs to Metalman Group of Indore and is engaged in manufacturing mild steel and stainless steel slabs and plates with installed melting and rolling capacity of 1,20,000 metric tonne per annum (MTPA), as on Dec.31, 2009.

The company had envisaged expansion project for increasing its melting capacity to 2,20,000 MTPA within its existing premises. The project was earlier expected to be commissioned by Sept.2009, which has been delayed. The total cost of the project is expected to be around Rs.53 crore and the company had incurred around Rs.18 crore till Dec.31, 2009 towards the same through internal accruals and unsecured borrowings from promoter group. The completion of the project is contingent upon company achieving financial closure.

SIL reported total income of Rs.656.48 crore with PAT of Rs.2.29 crore FY09 as compared to total income of Rs.624.32 crore with PAT of Rs.13.70 crore FY08. During 9MFY10, SIL registered total income of Rs.543 crore with PBT of Rs.6.48 crore as compared to a total income of Rs.531 crore with PBT of Rs.1.79 crore in 9MFY09.

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<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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