

June 16, 2010

**CARE ASSIGNS 'CARE BBB-' RATING TO BANK FACILITIES OF
STEMCORE ALLOYS AND ISPAT LTD.****Ratings Assigned**

| Facilities/Instruments | Amount (Rs. crore) | Ratings¹ | Remarks |
|-------------------------------|-------------------------------|---|----------------|
| Long-term Bank Facilities | 55.80 | 'CARE BBB-' (Triple B Minus) | Assigned |
| Total Facilities | 55.80 | | |

Rating Rationale

The ratings factor in promoter's experience, established relationship with traders/brokers, proposed backward integration in the form of induction furnace/casting unit which is on the verge of completion, required equity already infused by the promoters, increasing operations from steel re-rolling facility and stable industry prospects. However, the rating is constrained by limited track record, small size of the company, volatility in the prices of raw materials, lower margins, cyclical nature of the industry, competition from the other major players and expected decline in the demand in the near term. The ability of the company to commence and stabilize operations at the new facility successfully and manage the volatility in the raw material prices are the key rating sensitivities.

Company Profile

Incorporated in 2007 as M/s Stemcore Alloys and Ispat Ltd. (SAI), the company is in the business of steel manufacturing with a steel re-rolling mill capacity of 82500 TPA and the product range of Angles, Channels and Girders. The company is also adding an induction furnace/casting facility of 82500 TPA as a part of backward integration with a cost of Rs.35 cr. in the total project cost of Rs.50.76 crore (including expansion of steel re-rolling plant). The total project cost is expected to be funded by term loans of Rs.28.80 crore and equity of Rs.21.96 crore. As on January 31, 2010, the company had incurred an overall expenditure amounting to Rs. 43.04 crore.

The company commercialised the re-rolling unit in Feb 2009 with installed capacity of 30000 TPA, enhanced capacity of 82500 TPA was commercialised in Sept 2009 and the induction furnace is expected to start commercial operations at the end of Feb 2010.

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

On a total income of Rs.4cr, SAI earned a PAT of Rs.0.02cr in FY09. The company achieved a total income of Rs.68 crore with PAT of Rs.2 crore in 9MFY10 ended Dec. 31, 2009.

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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.

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