

June 23, 2010

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SUNFLAG IRON & STEEL CO. LTD. (FOR ENHANCED AMOUNT)**

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	724.06 (enhanced from Rs.384.06 crore)	<b>'CARE A' (Single A)</b>	Reaffirmed
Short-term Bank Facilities	250.00	<b>'PR1' (PR One)</b>	Reaffirmed
<b>Total Facilities</b>	<b>974.06</b>		

**Rating Rationale**

The ratings derive strength from SISCO's experienced management, the company's established position in the alloy steel industry, its comfortable profitability margins, its moderate gearing ratios and completion of debt tie-up for the project. The ratings also factor in the likely improvement in operating efficiencies subsequent to successful implementation of the sinter and continuous caster projects.

The ratings are, however, constrained by a concentration on a single sector i.e. automobiles, the substantial size of the proposed project as compared to the company's net worth, various project execution risks, and exposure to volatility in raw material costs in the absence of long-term supply contracts.

The ability of SISCO to complete the proposed project without time and cost overruns and to maintain its profitability notwithstanding the cyclical nature in the end-user automobile sector are the key rating sensitivities.

**Company Profile**

Incorporated in 1984, SISCO belongs to the Sunflag Group, and is engaged in manufacture of mild and alloy steel products at its plant in Bhandara, Maharashtra. SISCO's products are mainly used by auto component manufacturers. The company during FY09 has commissioned continuous caster and wire rod mill and a sinter plant. Further SISCO has proposed a project of Rs.413 crore involving a blooming mill which is expected to produce 200,000 mtpa of heavy rounds in alloy steels, a DRI plant of 105,000 tpa and a captive power plant of 8 MW based on waste heat recovery.

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

SISCO earned a PAT of Rs.43.13 crore and reported net sales of Rs.1,099.98 crore in FY09. The company earned a PAT of Rs.62.99 crore and net sales of Rs.950.70 crore during 9MFY10.

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