

August 26, 2010

CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES OF SURYADEV ALLOYS AND POWER PVT LTD.

Ratings Assigned

| Facilities/Instruments | Amount (Rs. crore) | Ratings ¹ | Remarks |
|----------------------------|-----------------------|---------------------------------|----------|
| Long-term Bank Facilities | 138.82 | 'CARE BBB-' (Triple B Minus) | Assigned |
| Short-term Bank Facilities | 67.70 | 'PR3' (PR Three) | Assigned |
| Total Facilities | 206.52 | | |

Rating Rationale

The ratings take into account the experience of the promoters in the steel industry and the improved operational and financial performance of Suryadev Alloys and Power Private Limited (SAP) during FY10, which has favourably impacted its overall financial position in FY10. However, the ratings are constrained by limited track record of manufacturing operations, commodity nature of its products and inherent cyclicality in the steel industry. Going forward, the ability of the company to achieve higher capacity utilisation in view of adverse power supply situation in the state of Tamilnadu, sustain its margins by reducing the impact of volatile raw material prices and impact of any major debt funded expansion on the overall risk profile of SAP would be key rating sensitivities.

Company Profile

SAP is a Chennai-based company, incorporated in the year 2006 by Mr Mukesh Agarwal and Mr Pankaj Agarwal, and is engaged in manufacture of iron and steel products. SAP has set up a Green field 'Thermex technology' plant at Gummundipundi, Chennai for the production of Quenching and Self Tempering (QST) rebars with an installed capacity of 2,04,000 MT per annum (TPA). The company commenced commercial operation in the month of July 2008. During FY10, SAP posted PAT of Rs.32 cr on a total income of Rs.342 as against a net loss of Rs.36 cr incurred on a total income of Rs.238 cr during FY09.

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CARE has 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.

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

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