

May 4, 2010

CARE UPGRADES THE RATINGS OF BANK FACILITIES OF VIKASH METAL & POWER LTD.

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long term bank facilities	130.93	'CARE BB' (Double B)	Revised from CARE BBB- (Triple B minus)
Short term bank facilities	105.00	'PR4' (PR Four)	Revised from PR 3 (PR three)
Total	235.93		

Rating Rationale

The revision in the above ratings is due to the sharp fall in the profitability and cash accruals in FY09 & nine months ended Dec.31, 2009 (9MFY10), deterioration in gearing ratios and strain on liquidity leading to reschedulement of loans, high utilisation of working capital limits and unsatisfactory debt servicing record. The ratings are also constrained by the high volume of low margin trading business, volatility in prices of raw materials & finished goods, cyclicity in the iron & steel industry and intense competition. The ratings also factor in experience of the promoters, increasing sales price realisation and fiscal benefits available under the incentive scheme of Govt. of West Bengal. Ability to improve profitability in the context of cyclicity in the steel industry would remain the key rating sensitivity.

Company Profile

VMPL, incorporated in July 1996, belongs to Shri Vimal Kumar Patni of Kolkata and is a part of the Impex group of companies. It commenced its operation from August, 2003. At present, it is engaged in manufacturing of sponge iron, billets, TMT bars and ferro alloys, besides being substantially involved in trading of iron & steel related products. On a total income of Rs.593.8 crore VMPL earned a PAT of Rs.5.4 crore in FY09, as against Rs.332.0 crore and Rs.12.6 crore in FY08 indicating decline in PAT level by 57% in FY09 from FY08.

The performance of the company in 9MFY10 also deteriorated further with lower level of profits, profitability margins and GCA.

Analyst Contact

Name: Arindam Saha / Vineet Chamaria
Tel # 033 22808472/22831800/22896150
Mobile #9230531485/9051730850

Email: arindam.saha@careratings.com/ vineet.chamaria@careratings.com

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

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

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr.Ashwini Jani Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 91766 47599 E-mail : ashwini.jani@careratings.com</p>	<p>Mr. Rahul Patni Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 _40102030 Mobile – 91600 04563 E-mail: rahul.patni@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>