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ICRA reaffirms LBBB- and assigns A3 ratings to bank facilities of Shri Rathi Steel (Dakshin) Limited; assigns stable outlook

ICRA has reaffirmed the long-term rating of LBBB- (pronounced L triple B minus) outstanding on the Rs. 29.0 crore¹ fund based facilities of Shri Rathi Steel (Dakshin) Limited (SRSDL)[†]. The outlook for the long term rating is stable. ICRA has also assigned a short term rating of A3 (pronounced A three) to the Rs. 0.5 crore non-fund based facilities of SRSDL.[†]

The ratings reaffirmation reflects the stable operational profile of SRSDL, as highlighted by its increased capacity utilisation and further supported by its experienced management; its established brand name 'Rathi' in the thermo mechanically treated (TMT) steel bars industry in Northern India and its well entrenched distribution network. The ratings however continue to remain constrained by the intensely competitive and cyclical nature of the steel industry which limits the pricing flexibility of the players, as also highlighted by a decline in the average realisations of SRSDL during the recent slowdown in the industry. The ratings also take into consideration SRSDL's relatively limited track record and its vulnerability to adverse movements in raw material prices, resulting in thin profitability; which coupled with its relatively high gearing has translated into modest debt protection metrics.

Company Profile

Shri Rathi Steel (Dakshin) Limited (SRSDL) is a closely held public limited company engaged in the manufacturing of TMT bars. SRSDL was promoted in 2007 by Mr. Anil Rathi and the affairs of the company are currently being managed by him and his sons - Mr. Gopal Rathi and Mr. Dhruv Rathi. The company's manufacturing facility is located in Bhiwadi, Rajasthan with an installed capacity of 120,000 tonnes per annum (TPA). In addition to SRSDL, the promoters have also promoted another company by the name of Shri Rathi Steel Limited², which is also engaged in the manufacturing of TMT bars in its manufacturing facility in Ghaziabad, Uttar Pradesh.

Recent Results

For FY 2010, the company has achieved an operating income of Rs. 396 crore and a Profit After Tax of Rs.1.45 crore.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² Rated LBBB-(stable)/A3 by ICRA

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