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

ICRA has reaffirmed the long-term rating of LBBB- (pronounced L triple B minus) outstanding on the Rs. 37.42 crore¹ fund based facilities of Shri Rathi Steel Limited (SRSL)[†]. 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. 3.0 crore non-fund based facilities of SRSL.[†]

The ratings reaffirmation reflects the stable operational profile of SRSL, as highlighted by its high 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 and marginal de growth in the turnover of SRSL during the recent slowdown in the industry. The ratings also take into consideration, the vulnerability of SRSL¹ profitability to adverse movements in raw material prices due to lack of backward integration and the relatively high gearing of the company, which coupled with thin profitability has resulted in modest debt protection metrics.

Company Profile

Shri Rathi Steel Limited (SRSL) is a closely held public limited company engaged in the manufacturing of TMT bars. SRSL was promoted in 2003 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 the industrial zone promoted by Uttar Pradesh State Industrial Development Corporation (UPSIDC) in Ghaziabad, Uttar Pradesh with an installed capacity of 120,000 tonnes per annum (TPA). In addition to SRSL, the promoters have also promoted another company by the name of Shri Rathi Steel (Dakshin) Limited³, which is also engaged in the manufacturing of TMT bars in its manufacturing facility in Bhiwadi, Rajasthan.

Recent Results

For FY 2010, the company has achieved an operating income of Rs. 348 crore and a Profit After Tax of Rs. 2.51 crore.

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For further details please contact:

Analyst Contacts:

Mr. Vikas Agarwal (Tel No. +91-124-4545300)

vikas@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur (Tel. No. +91-124-4545310)

vivek@icraindia.com

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

3 Rated LBBB-(stable)/A3 by ICRA

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