AUGUST 12, 2015

CARE ASSIGN ‘CARE BB’ RATING TO THE BANK FACILITIES OF VEDIK ISPAT PVT. LTD.

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Ratings</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Bank Facilities- Term Loan</td>
<td>27.07</td>
<td>CARE BB (Double B)</td>
<td>Assigned</td>
</tr>
<tr>
<td>Long-term Bank Facilities- Cash Credit</td>
<td>20.00</td>
<td>CARE BB (Double B)</td>
<td>Assigned</td>
</tr>
<tr>
<td>Total Facilities</td>
<td>47.07</td>
<td>(Rupees Forty Seven crore Seven lakh only)</td>
<td></td>
</tr>
</tbody>
</table>

Rating Rationale

The ratings assigned to Vedik Ispat Pvt. Ltd. are constrained by modest operational performance, moderate financial risk profile of the company marked by limited profitable track record, thin margins from manufacturing business, moderate gearing and high debt to cash accruals. The ratings are also constrained by nascent stage of re-rolling operations and cyclicality of the steel industry. The ratings, however, take comfort from promoters’ extensive experience in the steel business, regular infusion of funds by the promoters by way of equity and unsecured loans, turnaround in financial performance in FY15 (refers to the period April 1 to March 31) and commencement of operations of the re-rolling plant.

The ability of the company to achieve envisaged profit margins and stabilization of operations of the newly commissioned re-rolling plant would be the key rating sensitivity.

Background

Vedik Ispat Pvt. Ltd. (VIPL), incorporated in 1992, was an investment company till 2010. In 2010, it started a project to set up a hot and cold-rolled sheets facility in Hindupur (AP), which started commercial activity in 2012, with an installed capacity of 200 TPD of billets.

Simultaneously in 2011, the company undertook the activity to install re-rolling plant which started commercial operations in July 2015 (as against original envisaged COD of March 2013).

The Company’s day to day operations are managed by its directors Mr Rajaram Bhutra, Mr. Narendra Bhutra and Mr. Sharad Bhutara.

During FY15, VIPL registered a total operating income of Rs.206.4 crore (PY: Rs.130.3 crore) with a PAT of Rs.5.5 crore (PY: Rs.-.02 crore).

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**For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

2Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.
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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.
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