

OCTOBER 16, 2015

CARE REVISES THE RATINGS ASSIGNED TO BANK FACILITIES OF BHUSHAN STEEL LIMITED

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	29,676.02	CARE D (Single D)	Revised from CARE BB (Double B) (Credit watch removed)
Short term Bank Facilities (Working capital)	5,184	CARE D (Single D)	Revised from CARE A4 (A Four) (Credit watch removed)
Short-term Bank Facilities (Short-term Loans)	1,000	CARE D (Single D)	Revised from CARE A4 (A Four) (Credit watch removed)
Subordinate Debt	1,00	CARE D (Single D)	Revised from CARE BB (Double B) (Credit watch removed)
Total Bank Facilities	35,960.02 (Rupees Thirty five thousand nine hundred sixty crore and two lakh only)		
Non-Convertible Debenture (NCD) Programme-I	1,275 (reduced from 1,500)	CARE D (Single D)	Reaffirmed
Non-Convertible Debenture (NCD) Programme-II	655 (reduced from 800)	CARE D (Single D)	Reaffirmed

Rating Rationale

The revision in the ratings of bank facilities takes into account the delays in debt servicing by the company. The reaffirmation of the ratings of debt instruments takes into account the continuing delays in servicing of debt obligations on NCDs.

Background

Bhushan Steel Ltd (formerly known as Bhushan Steel & Strips Ltd), incorporated in 1993, is one of the large players in the steel industry with a steelmaking capacity of 4.7 Million Tonnes Per Annum (MTPA) (including Phase-III expansion of 2.5 MTPA). The company has HR steel capacity of 4.4 MTPA, billet manufacturing capacity of 0.3 MTPA and captive power generation capacity of 158 MW (including 110 MW waste heat recovery based capacity in Orissa). The company's manufacturing facilities are situated in Sahibabad (UP), Khopoli (Maharashtra) and Dhenkanal (Orissa). The company supplies a variety of finished products such as hot rolled coil/sheet, cold rolled coil/sheet, galvanized coil/sheet, high tensile steel strapping, colour coated coil/sheet, galume coils/sheets, hardened & tempered steel strips, precision tubes etc. Its products primarily cater to the demand of automobiles and consumer durable industries.

The financial risk profile of the company had witnessed deterioration during FY15 (refers to the period April 1 to March 31) with the company reporting a net loss of Rs.1,254 crore as against a profit of Rs.62 crore during FY14. Given the subdued market conditions and muted economic recovery the realizations were under pressure leading to fall in operating profitability. Further, the lower operational profitability coupled with higher capital charge given the commissioning of its projects led to losses at net level. Lower than envisaged cash accruals coupled with sizeable debt

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

repayments has affected the liquidity profile of the company leading to delays in servicing of debt obligations by the company.

During FY15, the company reported a PBILDT and net loss of Rs.2,198 crore and Rs.1,254 crore respectively on a total operating income of Rs.10,628 crore as against a PBILDT and a PAT of Rs.2,735 crore and Rs.62 crore respectively on a total operating income of Rs.9,725 crore in FY14. During Q1FY16 (Provisional) (refers to period April 1 to June 30) BSL reported net loss of Rs.739 crore on a total operating income of Rs.2,983 crore during the same period.

Analyst Contact

Name: Mr. Sudhir Kumar

Tel: 011-45333232

Email: sudhir.kumar@careratings.com

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

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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.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Mehul Pandya

 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

JAIPUR

Mr. Rakesh Jayaraman

 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.

Cell: +91 – 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

BENGALURU

Mr. Dinesh Sharma

 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

KOLKATA

Ms. Priti Agarwal

 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Sajan Goyal

 2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

NEW DELHI

Ms. Swati Agrawal

 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar

 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

PUNE

Mr. Rahul Patni

 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

COIMBATORE

Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Saikat Roy

 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com