

June 10, 2010

**CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF
MUKAND LIMITED****Ratings**

Facilities / Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	1,142.05 (enhanced from Rs.855.51 crore)	'CARE BB+' (Double B Plus)	Reaffirmed
Short-term Bank Facilities	355 (reduced from Rs.395 crore)	'PR4' (PR Four)	Reaffirmed
Total Facilities	1,497.05		

Rating Rationale

The ratings are constrained by the ongoing corporate debt restructuring (CDR) programme for restructuring Mukand's liabilities, the company's cash losses (including losses in the road construction business) and negative interest coverage ratio in FY09, its high and increasing gearing, and its relatively high exposure to a single industry viz. automotive components. The ratings derive their strength from the company's decades-long experience in steel industry, its ownership by a reputed business group of India, long-term relationships with well-known clients and growth potential of the speciality steel sector in domestic and export markets, improvement in the demand from auto sector.

A stable outlook of the automobile and automotive component sector, growth in exports, Mukand's ability to reduce time lag in passing on raw material costs to customers, manage working capital, complete the proposed capital expenditure plan without further time and cost overrun are the key rating sensitivities.

Company Profile

Established in 1937, Mukand Limited manufactures specially engineered long steel products in the alloy and stainless steel categories which are mostly used in the auto industry. Besides, it manufactures industrial machinery and has recently entered the road construction business.

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

The company registered loss after tax of Rs.187.34 crore on total operating income of Rs.1,892.30 crore in FY09. In 9MFY10, on total income of Rs.1,536.25 crore, it achieved PAT of Rs.45.82 crore.

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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

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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