

June 26, 2009

**CARE REVISES THE RATING ASSIGNED TO BANK FACILITIES & STD
ISSUE OF MUKAND LTD.**

CARE has revised the rating assigned to the Short-Term Debt (STD) issue of Mukand Limited (Mukand) aggregating Rs.75 crore, for a maturity not exceeding one year, to **'PR4' [PR Four]** from **'PR3' [PR Three]**.

Additionally, CARE has revised the rating assigned to the Long-term Bank Facilities of Mukand, aggregating Rs.855.51 crore, to **'CARE BB+' [Double B Plus]** from **'CARE BBB-' [Triple B Minus]**. This rating is applicable to facilities having tenure of more than one year. Facilities with this rating are considered to offer inadequate safety for timely servicing of debt obligations. Such facilities carry high credit risk. Further, CARE has revised the rating assigned to the Short-term Bank Facilities of Mukand, aggregating Rs.395 crore, to **'PR4' [PR Four]** from **'PR3' [PR Three]**. This rating is applicable to facilities having a tenure upto one year.

Instruments/facilities with **'PR4'** rating would have inadequate capacity for timely payment of short-term debt obligations and carry very high credit risk. Such facilities are susceptible to default.

Instrument / Facilities	Amount (Rs. crore)	Rating
Long-term Bank Facilities	855.51	CARE BB+
Short-term Bank Facilities	395.00	PR4
Short Term Debt	75.00	PR4
Total	1,325.51	

Rating rationale

The rating revision takes into account the restructuring of the term debt by the company. The company had to resort to restructuring due to the overall deterioration in the financial position of the company in the light of slowdown in the steel industry.

Company Profile

Incorporated in 1937, Mukand is part of the Bajaj group. Mukand manufactures specially-engineered long steel products in the alloy and stainless steel categories. It also manufactures industrial machinery and has a road construction business which it is phasing out. Mukand is headed by Mr. Niraj Bajaj, Chairman and Managing Director, who is ably supported by a team of experienced and qualified personnel.

The company underwent a Corporate Debt Restructuring (CDR) programme in FY03, necessitated by the steel downturn in 2001. The company approached bankers for further debt restructuring during Q1FY10, details of same are not yet known.

The net sales of the company declined by 9% to Rs.1,919 crore during FY09 vis-à-vis FY08 due to the global recession and depressed demand for the products of the company.

The PBILDT of the company decreased substantially as the company was not able to pass on the price increase in raw material completely. Further, prices of steel declined substantially in Q3FY09, resulting in losses on inventories held by the company. PBILDT margin of the company declined substantially and was marginally positive at 0.44% in FY09 against 13.42% in FY08. During the FY09, Mukand reported exceptional items of Rs.41.48 crore including the provision for non-recoverability of overdue interest on loans amounting to Rs.27.45 crore due from its wholly-owned subsidiaries, Rs.1.14 from other companies and for diminution in the value of investments amounting to Rs.13.09 crore. Mukand posted loss of Rs.188.71 crore during FY09 against a profit of Rs.59.40 crore in FY08.

Economic slowdown affected operational and financial performance of the company substantially during FY09. Going forward, the ability of the company to generate sufficient cash accruals to sustain the operations and meet its financial commitments in an effective manner shall be the key rating sensitivities.

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