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ICRA assigns LBB- rating to the bank facilities of Supra Steel & Power Private Limited; assigns Stable outlook

ICRA has assigned an LBB- (pronounced L double B minus) rating to the Rs. 9 crore¹ bank facilities of Supra Steel & Power Private Limited (SSPL)[†]. The long-term rating has been assigned a "Stable" outlook.

The rating reflects SSPL's modest scale of operations coupled with suboptimal capacity utilisation, low value addition in the sponge iron business and a raw material intensive nature of business that makes profitability vulnerable to adverse movement in raw material prices. Moreover, SSPL's stretched working capital position on account of high inventory levels and significant capital expenditure plan, which is expected to be largely debt funded, would exert pressure on the company's liquidity and capital structure. Nevertheless, the rating favourably factors in the experience of promoters in steel business and SSPL's proximity to iron ore mines, which reduces transportation cost.

Recent Results

In 2009-10, SSPL has earned a net profit of Rs. 0.79 crore on an operating income of Rs. 9.79 crore as compared to a net profit of Rs. 1.27 crore on an operating income of Rs. 14.43 crore in 2008-09.

About the Company

Incorporated in February 2005, Supra Steel & Power Pvt. Ltd (SSPL) is a sponge iron manufacturing company which commenced its operation in February 2006. The company was acquired by the new management led by Mr. K. Satya Prasad and Mr. Jayaram Shetty in 2007. Based in Bellary, the manufacturing unit of the company has an installed capacity of 50TPD. The company currently is in the process of increasing its capacity to 100TPD.

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For further details, please contact:

Analyst Contacts:

Mr. Vikas Aggarwal (Tel No. +91-124-4545300)
vikas@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee, (Tel. No. +91-80-43326401/ 098 450 22459)
jayantac@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

¹ 100 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

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