



Steel Authority of India Limited

Rating History

Instrument	Amount	Rating	
		As on March 2011	Previous Rating
Non-convertible Debentures	115 (earlier 349.4)	LAAA (SO)	LAAA (SO)

ICRA has reaffirmed the rating assigned to Rs. 115 crore* (earlier Rs. 349.4 crore) Government of India (GoI) guaranteed bonds programme of Steel Authority of India Limited (SAIL) at LAAA (SO) [pronounced L triple A (Structured Obligation)]†. The letters SO in parenthesis suffixed to the rating symbol stand for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issue concerned. The rating is based on unconditional and irrevocable guarantees issued by GoI, ensuring that all repayment obligations against the rated bonds would be met in a timely manner. The outlook on the rating is 'stable'.

The rating continues to reflect SAIL's established position in the domestic steel industry, its diverse product portfolio, its large reserves of high quality iron ore and majority stake holding by the Government of India. The rating also factors in the healthy capital structure of the company (as reflected by gearing of 0.50 times as on March 31, 2010) and its comfortable liquidity position with cash balances of Rs. 22,436 crore as on March 2010. However, the company remains exposed to raw material pricing and availability risks owing to its dependence on outsourced coking coal for steel making. The rating reaffirmation also factors in the sizable expansion and modernization programme (involving a capital expenditure of Rs. 70,000 crore) being implemented by the company which is expected to increase the company's debt levels in future.

Company Profile

SAIL is the largest integrated steel producer in India. The company has five integrated steel plants (with an installed capacity of 11.2 million MT per annum of saleable steel) and three plants for the manufacture of alloy steels and stainless steel. The Bokaro (BSL) and Rourkela (RSP) units are primarily flat product plants, while the Bhilai (BSP) and Durgapur units manufacture mainly long and railway products and the IISCO (ISP) unit manufactures structurals. The three special steel plants are the Alloy Steel Plant (ASP) at Durgapur in West Bengal, with an installed capacity of 184,000 tonnes per annum (tpa), the Stainless Steel Plant (SSP) at Salem in Tamil Nadu, with an installed capacity of 175,000 tpa and Visvesvaraya Iron and Steel Plant (VISL) at Bhadravati in Karnataka with an installed capacity of 98,000 tonnes. The Government of India (GoI) currently holds 85.82% stake in the company.

Recent Results

As per the audited results for FY 2010, Steel Authority of India Limited (SAIL) recorded profit after tax (PAT) of Rs. 6,731 crore on the back of operating income (OI) of Rs. 41,372 crore as compared to PAT of Rs. 6,175 crore on OI of Rs. 43,778 crore in FY 2009.

March 2011

* 100 lakh = 1 crore = 10 million

† For complete rating definition please refer to ICRA website www.icra.in or any of the ICRA Rating Publications



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Disclosure: A Member of the Board of Directors of ICRA Limited is also an Independent Director on the Board of Directors of Steel Authority of India Limited. This Director was not involved in any of the discussions and processes related to the Rating of the instrument(s) mentioned herein.

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