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## Fitch revises BPSL outlook to stable

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It is reported that Fitch Ratings has revised the Outlook on Bhushan Power & Steel Limited to Stable from Negative. Simultaneously, Fitch has affirmed the National long term Issuer rating at 'A-' and its Short term ratings at 'F2+'.

The agency has also affirmed the following ratings assigned to its various facilities

1. INR 2000 million optionally convertible bonds program at 'A-'
2. INR 54000 million long term bank loans including cash credit limit of INR 8233 million at 'A-'.
3. INR 2000 million short term debt or commercial program at 'F2+'.
4. INR 5500 million short term bank loans at 'F2+'.
5. INR 9500 million non fund based working capital limits at 'F2+'.

It said that “The revision in Outlook reflects the successful completion of Phase II of BPSL's backward integration project for the manufacturing of hot rolled coils in Orissa without any cost and time overruns. Though the financial risk is expected to remain high in the short term, the benefits of backward integration are expected to strengthen BPSL's business profile by positioning it better to manage cyclicity associated with the industry. Fitch notes that the company is presently implementing Phase III of its capital expenditure program and the execution risk for this remains limited. Fitch expects BPSL to benefit from its integration and product diversification. The agency also notes that BPSL has been able to commission Phase I and II of the Orissa project in an area where other steel producers are grappling with land acquisition and other issues.”

Fitch noted that complete benefits of Phase II of Orissa project will start accruing from FY 2009 onwards. However, BPSL's credit metrics will remain stretched for the medium term until complete benefits of Phase III starts accruing. The ratings continue to benefit from BPSL's consistent improvement in size, business profile and profitability. Though the company has made announcements of various new projects, Fitch believes it may take two to three years before work on these projects is started.

Also, BPSL has been allocated Jamkhani Coal Block in Orissa and the mining plan and environment clearance for the mine has been approved by Government of India. The agency notes that BPSL will derive substantial benefits due to a reduction in input costs once the mines are in operations. The company is currently sourcing its coal requirements from South Eastern Coalfields Limited and iron ore requirements from Orissa Mineral Development Corporation Limited.

BPSL formerly known as Bhushan Limited is a closely held public limited company with plants at Chandigarh, Dera Bassi, Kolkata and Sambalpur.

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