January 18, 2012

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES AND INSTRUMENT OF CEAT LIMITED

Ratings Assigned

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	838.73 (reduced from Rs.955.41 crore)	**CARE BBB (Triple B)**	Reaffirmed
Short-term Bank Facilities	700.00	**CARE A3+ (A Three Plus)**	Reaffirmed
Total Facilities	**1,538.73**		
Commercial Paper (CP)@	20.00	**In-principle CARE A1+ (SO) [A One Plus (Structured Obligation)]**	Reaffirmed

@The CP issue is proposed to be backed by an unconditional and irrevocable bank guarantee of equivalent amount from ICICI Bank (ICICI) covering the entire tenure of CP issue. The above rating is an 'in-principle' rating and the final rating letter shall be issued on finalization of structure, receipt of executed documents and the review of the contents of the same to the satisfaction of CARE.

Rating Rationale

The ratings continue to derive strength from the strong promoter group, wide product portfolio, CEAT's established brand and presence in the domestic market, widespread distribution network and growing presence in the international market. The ratings also factor in the commissioning of the Halol plant.

The ratings strengths are however, tempered by CEAT's susceptibility to volatility in raw material prices, inherent cyclicality associated with the automobile industry along with the exposure to foreign currency fluctuations and increased competition from the international as well as the domestic players.

Ability of the company to improve its profitability in the face of volatility in the raw material prices is the key rating sensitivity.

Company profile

CEAT (earlier known as CEAT Tyres of India Ltd.) is a part of the RPG Group and is engaged in manufacturing/trading of automotive tyres, tubes and flaps. Its product profile comprises Truck Tyres, Light Commercial Vehicle (LCV) Tyres, Industrial & Off-The-Road (OTR) Tyres, Farm Tyres, Car & Jeep Tyres, and Two & Three Wheeler Tyres. CEAT has three manufacturing facilities located at Bhandup (Mumbai), Nasik and a radial tyre manufacturing unit at Halol, Gujarat.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

On a total operating income of Rs.3,505.08 crore, CEAT earned a profit after tax (PAT) of Rs.22.28 crore in FY11 as compared to a PAT of Rs.161.04 crore on a total operating income of Rs.2,835.93 crore in FY10

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CARE has 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.

"Credit Analysis and Research Limited proposes, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed a draft red herring prospectus ("DRHP") with the Securities and Exchange Board of India (the "SEBI"). The DRHP is available on the website of SEBI at www.sebi.gov.in as well as on the websites of the Book Running Lead Managers at www.investmentbank.kotak.com, www.dspml.com, www.edelcap.com, www.icicisecurities.com, www.idbicapital.com, and www.sbicaps.com. Investors should note that investment in equity shares involves a high degree of risk and for details relating to the same, see the section titled "Risk Factors" of the DRHP."

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