

January 2, 2013

**CARE ASSIGNS 'CARE AA-' RATINGS TO THE NCD SERIES IV OF
ELECTROSTEEL CASTINGS LIMITED.****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Non convertible debentures (NCD) – Series IV	200.0	CARE AA- (Double A minus)	Assigned

Rating Rationale

The revision in long term rating of Electrosteel Castings Ltd (ECL) is on account of decline in profitability & gross cash accruals, increase in leverage ratios and significant exposure in Electrosteel Steels Ltd (ESL; rated CARE BB-/CARE A4).

The aforesaid ratings, however, continue to derive strength from the long experience of the promoters, satisfactory capacity utilization, operating efficiency in view of various backward integration initiatives and growing presence in the export market. The ratings also factor in risk associated with implementation of large ongoing projects, foreign exchange fluctuation risks and high operating cycle. Ability of the company to improve profitability and debt protection indicators, derive return from its investments in associate entities, successful implementation of the ongoing projects and future prospects of the DI pipe industry would remain the key rating sensitivities.

Company Profile

ECL, incorporated in November 1955, is under the management of Kejriwal & family of Kolkata, the current promoters, since 1965. The company commenced its manufacturing activity in May, 1959 with the commissioning of CI pipes unit. Over the years, it has diversified into production of DI pipes and increased the capacity in most of its business segments (DI pipes & pig iron) through expansion &/or setting up of new units. It has also diversified into execution of DI pipe related engineering, procurement and construction (EPC) projects on a turnkey basis. Currently, it is one of the largest producer and exporter of DI pipes in India.

The company has embarked upon various projects (mainly for backward integration) at an aggregate cost of Rs.1,558.0 crore which is being financed at a debt-equity ratio of around 3:1 and as on Mar.31, 2012 the company had spent Rs.691.0 crore on such projects. ECL has already tied up its entire fund requirement for the aforesaid projects.

The company have an exposure of about Rs.808.9 crore as on Mar.31, 2012 (consisting of Rs.728.9 crore in the form of equity investment and Rs.80.0 crore in the form of advances) in Electrosteel Steels Ltd. Further, during FY13, ECL has made additional investment of Rs.72 crore in ESL. This apart, ECL is also having a non fund based exposure in the form of corporate guarantee amounting Rs.250 crore in ESL for its short term loan.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications.

Press Release

ECL earned PBILDT of Rs.258.9 crore (Rs.282.8 crore in FY11) and PAT (after defd. tax) of Rs.42.4 crore (Rs.154.6 crore in FY11) on total income of Rs.1,987.4 crore (Rs.1,812.7 crore in FY11) in FY12. Further, in H1FY13, ECL posted net profit of Rs.19.7 crore on net sales of Rs.940.7 crore.

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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.

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