Press Release

April 16, 2013

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF RANE (MADRAS) LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	24.94 (30)	CARE A (Single A)	Reaffirmed
Long-term / Short-term Bank Facilities	59.00 (59.00)	CARE A / CARE A1 (Single A / A one)	Reaffirmed
Total Facilities	**83.94**		

Rating Rationale

The ratings continue to derive strength from Rane (Madras) Limited (RML), being part of the Rane group, which has an established presence in the manufacture and marketing of automobile components, RML's established operational track record and strong brand recognition, diversified revenue stream across vehicle segments, long standing relationship with leading OEMs, and strong research and development, and testing facilities. The ratings also take note of expansion of the company's presence in power steering systems to the passenger car segment and the hydrostatic steering systems for farm tractors and off-road vehicles.

The ratings continue to be constrained by pricing pressure from Original Equipment Manufacturer (OEM), susceptibility of margins to volatility in raw material prices amidst intense competition, and inherent exposure to the cyclicality and dynamics of the automobile sector.

Going forward, the ability of the company to grow its diverse customer base across the domestic and export markets and its share of business from the new products introduced would be the key rating sensitivities.

Background

RML is a Chennai-based auto ancillary company engaged in the business of manufacturing steering and suspension linkage parts (SSLP) and steering gear products (SGP) for various vehicle segments. During FY12, SSLP contributed about 53% of the sales with SGP contributing to the balance. RML, formerly known as Rane (Madras) Manufacturing Limited, is part of the Chennai-based Rane Group, which has interest in manufacture and marketing of automobile components. Mr L. Ganesh is the Chairman of the company, and has about three decades of experience in the auto ancillary industry.

During FY12 (refers to the period April 2011 to March 2012), RML registered PAT of Rs.27 crore on a total operating income of Rs.659 crore. For nine months ended December 31, 2012, the company registered a PBT of Rs.15 crore on a total operating income of Rs.456 crore.

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

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