Press Release

May 5, 2011

CARE REVISES THE LONG TERM BANK FACILITY RATINGS OF RANE (MADRAS) LTD

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	98.38	**'CARE A' (Single A)**	Revised from CARE A-
Long/Short-term Bank Facilities	4.50	**'CARE A/'PR1" ('Single A/ PR One')**	Revised from CARE A-/PR 1
Total Facilities	**102.88**		

Rating Rationale

The revision in the long term rating reflects the healthy improvement in the operational and financial performance of RML during FY10 and nine months period ended Dec'10 (9MFY11) on the back of robust volume growth supported by strong demand recovery in automobile sector. The ratings continue to take into account RML's established presence in the steering business with long operational track record, strong promoter background being part of the Rane group, diversified revenue stream, long standing relationship with leading OEMs, strong research and testing facilities and healthy financial position characterised by low gearing levels.

The ratings are however constrained by low operating margin amid continuing pricing pressure from Original Equipment Manufacturer (OEM), susceptibility of margins to volatility in raw material prices and exposure to the cyclicality and dynamics of automobile sector.

Going forward, the ability of the company to continuously develop new products, expand its business and sustain growth in sales and profitability are key rating sensitivities.

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

Company Profile

Rane (Madras) Ltd. (RML) is a Chennai based auto ancillary company engaged in the business of manufacturing steering and suspension linkage parts (SSLP) and manual steering gears products (SGP) for various vehicle segments. It is part of the Chennai based Rane Group, which has interest in manufacture and marketing of automobile components. In FY10, the company reported a PAT of Rs.14 cr on a total income of Rs.417 cr. For the nine months period ended Dec 31, 2010, the company posted an annualized income growth of 34% to Rs.424 cr and registered PAT of Rs. 20 cr.

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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.

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