

September 17, 2010

**CARE ASSIGNS 'CARE AA+' AND 'PR1+' RATINGS TO BANK FACILITIES OF
EWAC ALLOYS LTD**

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	40.00	'CARE AA+' [Double A Plus]	Assigned
Short-term Bank Facilities	6.80	'PR1+' [PR One Plus]	Assigned
Total Facilities	46.80		

Rating Rationale

The ratings derive strength from the experience and reputation of the promoters of EWAC – Larsen & Toubro Group of India (L&T) as well as Messer Eutectic Castolin Group of Germany (MEC), more than four decades of experience in the manufacturing of specialised electrodes, EWAC's comfortable gearing ratios, healthy profitability margins coupled with strong cash accruals, high capacity utilisation of the manufacturing facilities, access to a large distribution network of L&T, exclusive selling and distribution rights in India for welding and cutting equipment of Fronius International GmbH (Austria) and Messer Cutting & Welding Co. Ltd (China), and healthy liquidity position backed by substantial liquid investments outstanding as at the end of FY10.

The ratings are, however, constrained by the relatively small size of operations and moderate project execution risks associated with the proposed project.

EWAC's ability to achieve envisaged sales and maintain healthy profitability margins are the key rating sensitivities.

Company Background

EWAC is a (50:50) Joint Venture (JV) between L&T and MEC. Incorporated on April 4, 1962 as Eutectic Welding Alloys of India Ltd, the company commenced manufacturing operations in 1967. The company's name was changed to EWAC Alloys Ltd in September 1979.

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

EWAC is engaged in the manufacturing of special welding electrodes, gas brazing rods and fluxes, powders, welding torches and accessories, flux cored wires and wear-resistant plates at its facilities in Powai, Maharashtra and Ankleshwar, Gujarat. In addition, EWAC is engaged in the trading of welding equipment manufactured by Fronius International GmbH (Austria) and a range of CNC gas/plasma profile cutting equipment manufactured by Messer Cutting & Welding Co. Ltd (China).

During FY10, EWAC registered a net profit of Rs.24.14 crore on a total operating income of Rs.143.37 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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