

July 13, 2010

**CARE UPGRADES LONG TERM RATING AND RETAINS SHORT TERM RATING OF LANCO INDUSTRIES LTD.**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term bank facilities	339.5 (reduced from 350.5)	'CARE A+' (Single A plus)	Revised from 'CARE A' [Single A]
Short-term bank facilities	Rs.210.0 crore	'PR 1+' (PR One plus)	Reaffirmed
Short-term debt (including Commercial Paper)	Rs.125 crore (enhanced from 70)	'PR 1+' (PR One plus)	Reaffirmed

**Ratings Rationale**

The revision in long term rating takes into account the notable improvement in profitability parameters and leverage ratios of LIL in FY10. This apart, the aforesaid ratings continue to derive strength from the long track record of the promoters, established position of the group in the Ductile Iron (DI) pipe industry with significant share in the domestic market, satisfactory capacity utilisation, operating efficiency resulting from various backward integration initiatives undertaken by the company, strong financial & technical support from Electrosteel Castings Ltd (ECL, the flagship company of the group), satisfactory clientele and favourable industry scenario for DI pipes.

The ratings also factor in volatility in input & finished goods prices, risk associated with implementation of ongoing expansion projects and slow recovery in the global economy after the severe effect of slowdown. Future prospects of the DI pipe industry, sustainability of turnover level & margins and successful implementation of the ongoing projects will remain the key rating sensitivities.

**Company Profile**

LIL, incorporated in 1991, is engaged in manufacturing of DI pipes, pig iron and slag cement with DI pipes being the main product. LIL, along with its promoter company, ECL, currently enjoys a market share of above 50% in the domestic DI pipe segment. LIL is, currently, expanding its aggregate DI pipe installed capacity, replacing one of its old MBF (leading to an increase in overall pig iron manufacturing capacity) and setting up sinter plant, at an aggregate project cost of Rs.140 crore. Till May, 2010, the company had spent Rs.65 crore on the projects.

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications



*Press Release*

On a total income of Rs.695.9 crore, LIL earned a PAT of Rs.57.9 crore in FY10. Long-term debt equity ratio was 0.42 and overall gearing ratio was 1.54 as on Mar.31, 2010.

**Analyst Contact**

Name: Saurav Chatterjee/Sumit Chakraborty

Tel # 033-22831800

Mobile # 98307 14920/98308 68107

Email: saurav.chatterjee@careratings.com / sumit.chakraborty@careratings.com

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

**Mr. Ankur Sachdeva**

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4<sup>th</sup> Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

**Website: www.careratings.com**

**OFFICES**

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Prahaldnagar Corporate Road, Satellite, <b>Ahmedabad - 380 015.</b> Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, <b>Bangalore - 560 025.</b> Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, <b>Chennai 600 002</b> Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar <b>Hyderabad - 500 029</b> Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3<sup>rd</sup> Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani <b>Kolkata - 700 071.</b> Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, <b>New Delhi - 110 001.</b> Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>