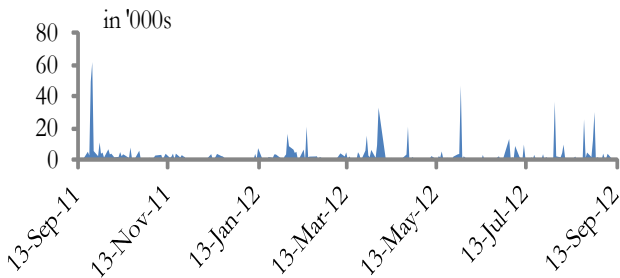


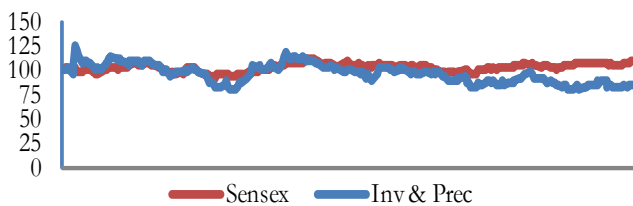
Equity Statistics

Current Market Price	Rs.	51.3
52 Week High / Low	Rs.	82.5/46.5
Market Capitalisation	Rs. crores	25.4
Free Float	Rs. crores	14.8
Dividend Yield	%	1.9
One Year Regression Beta	Times	0.9

BSE Volumes Trend - Average = 3.6 Thousand

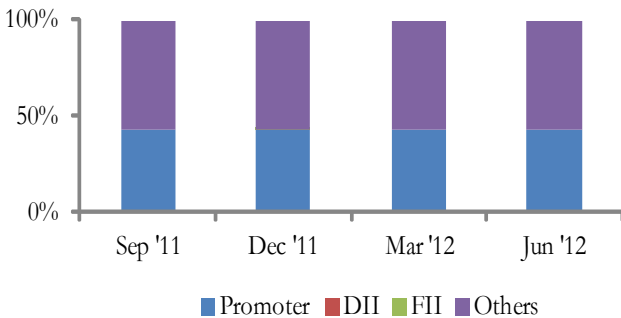


Relative Returns



Returns (%)	1M	3M	6M	1Yr
Absolute	3%	-4%	-15%	-15%
Relative to Sensex	2%	7%	1%	9%

Shareholding Pattern



Business Summary

Investment and Precision Castings Ltd (IPCL) is into the production of very large piece weight investment castings. The company is certified with ISO 9001 : 2000, ISO/TS 16949 : 2002, ISO 14001 : 2004, BS OHSAS 18001 : 2007, PED 97/23/EC, AD 2000-Merkblatt W0 for its manufacturing facilities at Bhavnagar in Gujarat. The company has gained technical know-how through its collaboration with Arwood International, USA, Furstlich Hohenzollernsche Huttenverwaltung, (the Zollern group), Germany, and Associated Foundries Engineering Co. Ltd., Japan. The company is capable of producing complex investment castings in a wide range of material specifications and piece weight up to 200 Kg. The company acquired additional technologies which enable the company to produce its own ceramic cores and ceramic moulds.

Core strength of IPCL is the experience of its promoter in the business since 1976. The key risks are that, scrap being an important raw material for castings, the company faces risk due to the fluctuation in the price of raw material. The relatively small size of operation and absence of any entry barriers for bigger casting companies proves to be a key risk.

In FY12, the company reported net sales of Rs.79.2 crore and a net profit of Rs.3.0 crore. IPCL is currently trading at 8.8 times FY12 EPS and 0.6 times FY12 adjusted book value.

Board of Directors

Person	Role
P A Subramanian	Chairman
Piyush I Tamboli	Vice Chairman & M.D.
Akshay R Shah	Director
J M Mopgaonkar	Director
Girish C Shah	Director
R K Menon	Executive Director
I F Tamboli	Chairman Emeritus

Source: AR and CARE Research

Note: MD: Managing Director, WTD: Whole time Director ED: Executive Director, NED: Non Executive Director,

Source: BSE, Capitaline and CARE Research

Background

IPCL was incorporated in the year 1975 by Mr I. F. Tamboli. The company has its manufacturing capacity in Bhavnagar, Gujarat, which is certified as ISO 9001 : 2000, ISO/TS 16949 : 2002, ISO 14001 : 2004, BS OHSAS 18001 : 2007, PED 97/23/EC, AD 2000-Merkblatt W0. The plant has a capacity of 1,500 Tons per annum. Some of the main products produced by the company are pumps, valves, automotive components, electrical and instrumentation products and general engineering products. The company serves as OEM for many of the automobile and pump manufacturing companies in India. To minimize power costs, the company has commissioned two wind turbines with a total capacity of 2,500 KW.

Business overview

The company can produce investment castings of piece weight up to 200 Kg. Investment casting process allows for higher dimensional accuracy, ease of casting extremely intricate parts and gives a better quality surface finish. IPCL faces less competition, as there are very few players in India at present. Steel scrap and ferro alloys are the main raw materials used in Investment casting. The company sources 92% of its raw materials indigenously. Domestic sales accounted for more than 99% of the company's turnover.

Strengths and growth drivers

- The promoter's long standing experience and presence in the field of Investment casting presents them with huge opportunities in the market and good image.
- Strong financial profile with a 16% increase in sales and continued profitability puts the company in a strong position.

Risk and concerns

- Automobile sector, on which the company is dependent upon, is expected to experience a slowdown in its growth rate in the years 2012 and 2013.
- The company's relatively small size of operation and absence of any entry barriers for bigger casting companies into Investment casting business proves to be big risk for the company.
- Scrap being an important raw material for castings, the company faces risk due to the fluctuation in price of raw material.
- Huge investments in capital intensive projects may affect accruals in the medium term.
- Even though there is a significant increase in the turnover, the company's profitability has come down due to higher interest costs in FY12.

Future strategy and expansion plans

- Owing to a slow down expected by the company in the industry, it has decided to slowdown Capital Investment and will go only for need based CAPEX in the FY13 (refers to the period April 2012 to March 2013).

Industry outlook

India has achieved the position of becoming the second largest casting manufacturer in the world producing 7.4 million MT per annum of castings overtaking US and Russia. China, at 35 million MT, continues to dominate the market contributing a 43% to the global production.

India enjoys a cost advantage with respect to casting & forging as manufacturing costs in India are 25 to 30 per cent lower than the western countries. Rising labor costs and environmental concerns have forced foundries in developed countries to move production to developing countries like India and China. This gives rise to a huge export potential for Indian manufacturers. To capitalize on this export demand, leading manufacturers have undertaken modernization and up gradation of their manufacturing facilities to improve productivity and product quality and also economize on production costs. Given the wide spread usage of castings across industries and huge export potential, there is considerable scope for establishing additional capacity in this area. However, there is a continuous threat from the Chinese competitors as they flood the Indian market with casting products at very low prices. High quality is of importance as is the cost. Foundries are being progressively closed down in the developed countries due to their stringent environmental pollution norms. Certain complicated parts in automobile and aerospace industry require that the suppliers be highly reliable. India has come to be recognized abroad as reliable source for auto components and hence the potential for sourcing castings from India is very high. Upcoming industries like pipe fitting and valve industry, construction and mining equipment industry, tractor and farm equipment manufacturers may provide casting industry with continued business, as also the demand from automobile sector, which is expected to do good in the small cars segment. Even though the growth rates have lowered, automobile segment still presents a high volume business to the casting and forging industry.

Year ended March 31, 2012				
Income statement (Rs. Crore)	IPCL	Simplex	Kalyani	Sanghvi
Total income	82.2	228.3	279.8	53.9
Net sales	79.2	217.5	278.1	50.2
EBITDA	13.0	35.0	39.9	8.1
Ordinary PAT	3.0	10.6	13.4	4.8
Adjusted PAT	3.0	10.6	13.4	4.9
Total income	82.2	228.3	279.8	53.9
Adjusted BVPS	91.2	116.9	251.0	46.8
Diluted EPS	5.8	17.3	36.5	3.8
Growth (Y-o-Y) (%)				
Growth in total income	13.5	5.6	15.5	26.6
Growth in net sales	17.2	6.9	17.9	25.8
Growth in EBITDA	8.8	7.0	60.5	4.8
Growth in adjusted PAT	NM	NM	81.9	23.7
Growth in EPS*	NM	NM	109.7	(23.8)
Profitability ratio (%)				
EBITDA margin	16.4	16.1	14.4	16.0
Adjusted PAT margin	3.6	4.6	4.8	9.0
Valuation ratios (Times)				
Price/EPS (P/E)	8.8	3.5	4.8	12.8
Price/Book value (P/BV)	0.6	0.5	0.7	1.0
Enterprise value (EV)/EBITDA	2.3	1.6	1.9	9.8

Source: BSE, Capitaline and CARE Research

Note: Inv&Prec: Investment and Precision Castings Ltd., Simplex: Simplex Castings Ltd., Kalyani: Kalyani Forge Ltd., Sanghvi: Sanghvi Forging and Engineering Ltd.

All results are based on standalone figures.

Quarter ended June 30, 2012					
Income statement (Rs. crore)	Q1FY13	Q4FY12	Q3FY12	Q2FY12	Q1FY12
Total income	17.9	22.0	21.4	18.6	17.4
Net sales	17.8	22.0	21.3	18.6	17.3
EBITDA	2.2	3.8	3.7	2.8	2.8
Ordinary PAT	0.1	0.8	1.1	0.4	0.6
Adjusted PAT	0.1	0.8	1.1	0.4	0.6
Growth (Q-o-Q) (%)					
Growth in net sales	(18.7)	2.9	14.6	7.4	
Profitability ratio (%)					
EBITDA margin	12.4	17.2	17.1	14.8	16.0
Adjusted PAT margin	0.3	3.8	5.0	2.4	3.5

Source: BSE, Capitaline and CARE Research

All quarterly results are based on standalone financial figures.

Financial analysis

- In FY12, IPCL reported net sales of Rs.82.2 crore – up 13.5% y-o-y. More than 99% of the sales were generated from domestic market.
- Raw materials such as scrap and ferro alloys and consumables form the largest portion of cost for IPCL. In FY12, raw materials cost and manufacturing expense as a percentage of net sales was at approximately 53%. Power and fuel was approximately 16% of net sales.
- The company reported EBITDA margins and adjusted PAT margins of 16.4% and 3.6%, respectively in FY12. PAT had come down by 9% in FY12 mainly because of higher interest cost.
- IPCL had negligible levels of leverage as on March 31, 2012. The total debt as on March 31, 2012 was at Rs.5.9 crore compared with an adjusted net worth of Rs.45.3 crore.
- Operating cash flows for the company has been positive in each of the last four years (*i.e. FY08 to FY11*).
- The company has paid a dividend of Re.1 per share for FY12, resulting in a dividend yield of 2.0% at the current market price of Rs.51.3 per share.

Annual financial statistics	FY08	FY09	FY10	FY11	FY12
Income statement (Rs. crore)					
Total income	63.0	45.8	63.2	72.5	82.2
Net sales	61.9	44.5	62.3	67.5	79.2
EBITDA	12.3	9.7	12.4	11.9	13.0
Depreciation and amortisation	3.0	3.2	3.3	4.6	4.8
EBIT	9.4	6.5	9.2	7.3	8.2
Interest	1.1	0.8	1.1	3.0	4.1
PBT	8.8	6.0	8.4	5.1	4.3
Ordinary PAT	5.8	3.8	5.5	3.3	3.0
Adjusted PAT	5.7	3.8	5.5	3.3	3.0
Balance sheet (Rs. crore)					
Adjusted networkth	42.4	35.3	39.6	42.2	45.3
Total debt	11.0	6.6	21.6	8.5	5.9
Cash and bank	7.8	3.3	0.6	0.3	1.7
Investments	4.3	-	-	0.3	0.3
Net fixed assets (incl. CWIP)	18.4	16.4	26.9	36.7	37.9
Net current assets (excl. cash, cash equivalents)	25.3	24.0	36.3	15.5	11.5
Per share data (Rs.)					
Adjusted BVPS	13.1	10.9	12.2	13.0	13.9
Diluted EPS*	11.3	7.5	10.8	6.4	5.8
DPS	-	1.3	2.0	1.3	1.0
Growth (Y-o-Y) (%)					
Growth in total income		(27.3)	37.9	14.7	13.5
Growth in net sales		(28.1)	40.1	8.4	17.2
Growth in EBITDA		(21.6)	28.7	(3.9)	8.8
Growth in adjusted PAT		(33.4)	44.9	(40.9)	(9.2)
Growth in EPS*		(33.7)	43.9	(41.0)	(8.8)
Key financial ratio					
EBITDA margin (%)	19.9	21.7	20.0	17.7	16.4
Adjusted PAT margin (%)	9.1	8.3	8.7	4.5	3.6
RoCE (%)		8.7	11.7	9.3	12.4
RoE (%)		9.9	14.7	8.0	6.8
Gross debt - equity (times)	0.3	0.2	0.5	0.2	0.1
Net debt - equity (times)	0.1	0.1	0.5	0.2	0.1
Interest coverage (times)	8.7	8.6	8.3	2.5	2.0
Current ratio (times)	6.6	6.9	5.5	1.5	1.3
Inventory days		91.8	71.8	86.7	99.8
Receivable days		118.0	106.4	109.0	105.1

Source: BSE, Capitaline and CARE Research

Figures are based on standalone financials.

DISCLOSURES

- Each member of the team involved in the preparation of this grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.
- This report has been sponsored by the BSE Investors' Protection Fund.

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