

## Press Release

### **Brickwork Ratings assigns “BWR AA (SO)” for Brassco Estates Private Ltd’s proposed secured Non Convertible Debenture (NCD) Issue of ₹ 440 crore**

**NCD Issue Rating: BWR AA (SO)**

**Outlook : Stable**

Brickwork Ratings (BWR) has assigned BWR AA (SO) [Pronounced BWR AA (Structured obligation)] Rating for **Brassco Estates Pvt. Ltd’s (Brassco)** proposed ₹ 440 crore secured NCD Issue. ‘BWR AA (SO)’ stands for an instrument that is considered to offer High credit quality / safety in terms of timely servicing of principal and interest obligations.

#### **Background**

Brassco Estates Private Limited (Brassco) is an associate company of Amtek Auto Limited (19% shareholding). Promoter, Mr. Arvind Dham & family hold balance stake in the company.

Brassco is engaged in manufacturing, fabrication, distribution and imports & exports of automotive engine parts and spare parts of tractors, automobiles, locomotives, etc. It undertakes design, manufacturing, marketing and maintenance of components and machinery for automobiles, aircraft etc including devices for transport machinery. It also provides services for setting up integrated forging manufacturing and marketing facilities.

Brassco proposes to Issue secured NCDs for ₹ 440 crore and utilize the proceeds for investment in the Amtek Group Companies. Amtek Auto Ltd., the flagship Company of the Group will provide an unconditional and irrevocable undertaking to purchase the shares acquired out of the issue proceeds.

The rating for the said NCDs factors, inter alia, the Amtek Auto’s established position in the auto component segment, integrated global operations, diverse product profile and healthy financial profile. The rating is however tempered by the company’s presence in the highly competitive and fragmented auto component industry and concentration of revenues from the automobile segment.

### **Security for the NCD issue, Structure and Use of funds**

Brassco will utilise part of the issue proceeds towards investments including in group companies. The acquired redeemable preference shares would be pledged to the Debenture Trustee, IDBI Debenture Trusteeship Services. Amtek Auto will provide an unconditional and irrevocable undertaking to purchase the shares acquired out of the issue proceeds. Amtek Auto will give a put option to Brassco to purchase the shares acquired at a pre-determined price (1.15 times). Brassco, in turn will assign this option to the trustee.

### **Financial Performance:**

#### **Brassco**

For the period ended May 31, 2010, Brassco posted a PAT of 0.46 crore on net sales of ₹ 1.22 crore as against a PAT of ₹ 0.22 crore on net sales of 0.59 crore for the year ending March 31, 2009.

#### **Amtek Auto**

For the year ending June 30, 2009, Amtek registered a consolidated PAT of ₹ 190 crore on net sales of ₹ 3439 crore as against a PAT of ₹ 465 crore on net sales of ₹ 4657 crore for year ending June 30, 2008. For the nine months ending 31<sup>st</sup> March 2009, revenues were ₹ 2,694 crore down 5% from ₹ 2,823 crore in the corresponding previous period while net profits grew to ₹ 197 crore from ₹ 120 crore for the same period.

#### **Outlook**

With India fast becoming the global auto hub, prospects for auto ancillary industry also looks bright. Global players setting shop in India allows auto ancillaries to cater to global OEMs in the domestic market itself. Over the medium term, automobile industry and consequently the auto component industry looks positive on the back of healthy demand from auto OEM's in domestic market and improvement in demand in the replacement market. Export markets have just started to pick up in the recent quarters.

Amtek Auto is poised to register good growth in revenues with its capacities coming on stream at a time when the automotive sector looks buoyant and on the growth trajectory. Margins will continue to remain under pressure with prices of key inputs like rubber, steel and aluminium expected to rise.

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