

## Press Release

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### **Brickwork Ratings assigns “BWR AAA(SO)” for Geetanjali Trading and Investments Private Ltd’s (GTIPL) proposed structured secured Non Convertible Debenture (NCD) Issue of ₹100 Crores with tenure of 13 months**

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

**Outlook : Stable**

Brickwork Ratings (BWR) has assigned BWR AAA(SO) (Pronounced BWR Triple A Structured Obligation) to **Geetanjali Trading and Investments Private Ltd’s (GTIPL)** proposed ₹100 crores structured secured NCD Issue with tenure of 13 months. ‘BWR AAA (SO)’ stands for an instrument that is considered to offer BEST credit quality / safety in terms of timely servicing of principal and interest obligations. The rating factors, inter alia, the underlying security in the form of pledge of the equity shares of the Asian Paints Ltd., fundamentals of Asian Paints, its share price performance, and quality of structure incorporated to secure both the NCD.

BWR has essentially relied upon the Term sheet outlining the structure of the deal, audited financial results of GTIPL & Asian Paints and information and clarification provided by GTIPL.

Geetanjali Trading and Investments Private Limited (GTIPL) is a 100% promoter company belonging to Ashwin Dani group. Company is purely a trading and investment company and holds 15.24% stake in Asian Paints (as on 27<sup>th</sup> Sept 2010). Ashwin Dani group includes Geetanjali Trading and Investments Private Limited, Gujarat Organics Limited, Omega Properties Private Limited, Mr. Ashwin Dani, Mrs. Ina Dani, Mr. Jalaj Dani, Mr. Hasit Dani, Mr. Malav Dani, Dani Finlease Limited, and S.C.Dani Research Foundation. Total Ashwin Dani group’s stake in Asian Paints is 20.64% as on Sept 27th 2010.

Currently GTIPL has pledged 66.26% of its total holding in Asian Paints and has total borrowings of 965Cr on its books. Company has 4 directors on board, Mrs. Ina Dani, wife of Mr. Ashwin Dani (33% stake in GTIPL) and MD of this company. Other directors are Mr. Ashwin Dani, Mr. Malav Dani and Mr. Jalaj Dani.

**Structure:** Geetanjali Trading and Investments Pvt Ltd (GTIPL) is raising ₹100 cr through NCD with tenure of 13 months. NCD is secured by way of pledge of fully paid up, unencumbered, freely transferable equity shares of Asian paints Limited, having market value of

2 times of outstanding obligation by the Issuer or the security provider. There shall be a charge on the amount placed in cash with the Debenture Trustee on account of any cash top-up. As an additional security, Post Dated Cheques (PDCs) on behalf of the issuing company for the entire principal amount of the Debentures and interest thereon will be deposited with the Debenture Trustee. As per term sheet the Issuer shall also create a first pari passu mortgage on immovable property to be acquired by it within a period of 90 days from the Deemed Date of Allotment. IDBI Trusteeship services limited are the Debenture Trustee to this issue.

The NCD is being raised for General Corporate Purposes and buying Asian Paints shares. Promoters will be increasing their stake in Asian Paints through GTIPL. The interest payment for NCD is back ended. There will be bullet repayment for Interest and Principal at maturity, by way of refinancing, either by fresh borrowings or rollover or by taking unsecured loan from Promoter.

### **Rating Outlook**

The APL stock has performed well in the past and looking at the domestic economy fundamentals, we believe increasing housing and auto car sales will help decorative paints segment to grow, thereby resulting in overall improved company performance.

Currently GTIPL has 49.31 lakh shares available for pledge and after this issue ~41 lakh shares will be available (depending on share price taken for pledge of shares on deemed date of allotment). Using these shares GTIPL can cover ~80% fall in Asian Paint share price (taking 3 month average price of Rs 2614 / share as benchmark price). However, there can be a situation of some low probability events occurring in the economy which can adversely affect the stock market and consequently the share prices of APL. In such an event, the issuer could fall short of additional shares to be pledged or may not have enough cash for top up, which may result in default and compel the Trustee to enforce the securities. Looking at the past one year average volume traded in APL shares we believe at any point of time it should not take more than 31 days to sell the shares in the market (assuming that price falls by 80% from its 3 month average of Rs. 2614). Enforcement of security on behalf of debenture holders within specified time of occurrence of an event of default is also a function of effectiveness of the Debenture Trustee.

We believe the Rating in this case is mainly a function of APL's performance in the stock market and effective monitoring of structure and share price by the Debenture Trustee.

**This rating is subject to total adherence of the Company to the final Information Memorandum signed by the Geetanjali Trading and Investments Pvt Ltd on 28<sup>th</sup> September 2010, as shared with Brickwork Ratings**

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