

Press Release

Brickwork Ratings assigns “BWR AAA (SO)” for Geetanjali Trading and Investments Private Ltd’s (GTIPL) proposed Non Convertible Debenture (NCD) Issue of ₹ 100 Crores with a tenor of 42 months

NCD Issue Rating: BWR AAA(SO)

Outlook : Stable

Instruments	Amount	Rating	Assigned/ Reaffirmed	Issue Date	Maturity Date	Rating History	
						Rating as on date	Rating as on
NCD Issue	Rs 100 Cr	BWR AAA(SO) (Stable Outlook)	Assigned	NA	NA	BWR AAA(SO) (Stable)	NA
Loan Issue	Rs 300 Cr	BWR AAA(SO) (Stable Outlook)	Assigned	NA	NA	BWR AAA(SO) (Stable)	NA
NCD Issue	Rs 200 Cr	BWR AAA(SO) (Stable Outlook)	Reaffirmed	17 Aug 2010	16 Sept 2011	BWR AAA(SO) (Stable)	NA
NCD Issue	Rs 100 Cr	BWR AAA(SO) (Stable Outlook)	Reaffirmed	29 Sept 2010	28 Oct 2011	BWR AAA(SO) (Stable)	NA

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 42 months. ‘BWR AAA (SO)’ stands for an instrument that is considered to offer BEST credit quality 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.(APL), fundamentals of Asian Paints, its share price performance, and quality of structure incorporated to secure loan as well as 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.

The Ashwin Dani group holds 100% stake in *Geetanjali Trading and Investments Private Limited (GTIPL)*. GTIPL is purely a trading and investment company and holds 15.56% stake in Asian Paints (as on 14th January 2011). The Ashwin Dani group comprises Geetanjali Trading

and Investments Private Limited, Gujarat Organics Limited, Omega Properties Private Limited, Dani Finlease Limited, S.C.Dani Research Foundation and promoters Mr. Ashwin Dani, Mrs. Ina Dani, Mr. Jalaj Dani, Mr. Hasit Dani, and Mr. Malav Dani. As on January 14, 2011, the Ashwin Dani group has a 20.96% stake in Asian Paints.

Currently GTIPL has pledged 64.57% of its total holding in Asian Paints. Total borrowings as on January 14, 2011 are ₹1083.5 Cr of which ₹ 1072.7 Cr are secured borrowings. The company has 4 directors on board, Mrs. Ina Dani, wife of Mr. Ashwin Dani (33% stake in GTIPL) is the MD. Other directors are Mr. Ashwin Dani, Mr. Malav Dani and Mr. Jalaj Dani.

Structure: Geetanjali Trading and Investments Pvt Ltd (GTIPL) is raising ₹100 by way of NCD with tenure of 42 months. These borrowings are 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. IDBI Trusteeship services limited are the Debenture Trustee to the issue. (Besides this, the company is also raising ₹ 300 crore by way of loan for a period of 36 months which will be similarly secured)

The proceeds of the loan will be used for refinancing of existing loans, General Corporate Purposes and purchase of Asian Paints shares. Promoters will be increasing their stake in Asian Paints through GTIPL. There will be bullet repayment for part interest and full 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.

As on 14th Jan 2011 GTIPL has 52.86 lakh shares available for pledge and after this issue ~23.31 lakh shares will be available (*depending on share price taken for pledge of shares on deemed date of allotment*). As, the company proposes to utilize its ₹ 300 Cr loan for refinancing of

existing facilities, company will have to first pledge the shares for this issue and then after the loan is refinanced old shares pledged will be released. Taking these into consideration GTIPL may have ~45.48 lakh shares available for pledge if there is no subsequent issue. Using these shares GTIPL can cover ~40% fall in Asian Paint share price (taking 3 month average price of ₹ 2706.5 / share as benchmark price). might arise The past one year average volume traded in APL shares indicates that at any point of time it may not take more than 32 trading days to sell the shares in the market assuming a fall in price by 40% from its 3 month average of ₹ 2706.50.

We believe the Rating in this case is mainly a function of Asian Paints performance in the stock market, total adherence of the issuer to the final Information Memorandum received by Brickwork Ratings on 2nd February 2011 and Debenture Trustee's effective monitoring of structure, share price movements and enforcement of security within specified time of occurrence of an event of default.

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