



SMERA RATINGS LIMITED

Fenace Auto Limited (FAL)**Rating
Rationale****December 03, 2014**

Facilities	Amount (Rs. Crore)	Rating
Term Loan I	100.00	SMERA BBB+/Stable (Assigned)
Term Loan II	150.00	SMERA BBB+/Stable (Assigned)
Term Loan III	100.00	SMERA BBB+/Stable (Assigned)
Cash Credit	75.00	SMERA BBB+/Stable (Assigned)
Proposed Cash Credit	75.00	SMERA BBB+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) to the Rs.500.00 crore long-term bank facilities of Fenace Auto Limited (FAL). The outlook is '**Stable**'. FAL is an associate company of the Amtek Group. The rating draws comfort from Amtek's support to the company. The rating also draws comfort from the strategic location of the company's manufacturing unit in Pune (major auto hub) and its product profile which includes ferrous casting components such as cylinder blocks, cylinder heads, drive heads, axle arms, gear cases, front axle supports and crank cases etc. However, the rating is constrained by the company's initial stage of operations in a highly competitive segment of the auto components industry. The rating notes that the company's financial profile is susceptible to cyclicalities in the automobile industry and volatility in raw material prices.

FAL, incorporated in 2010, is a Delhi-based company engaged in manufacturing and machining of ferrous castings. FAL has set up a factory unit in Pune, Maharashtra. The company started commercial operations in March 2014. SMERA's rating on the bank facilities of FAL is centrally based on the company's strategic importance to the Amtek Group. FAL benefits from the significant operational, technical, marketing and managerial support derived from the Amtek Group, which is India's largest manufacturer of auto components. The company's strategic location (in Pune) will enable the FAL to further strengthen its market position in Maharashtra. SMERA believes FAL's strategic importance to the Amtek Group will enable the company to receive strong support from its associate concerns on an ongoing basis.

FAL operates in a highly competitive industry, wherein players face continuous pricing pressure. The company is exposed to the cyclicalities in the automobile industry. FAL's profit margins are susceptible to volatility in raw material prices.

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Fenace Auto Limited (FAL)

**Rating
Rationale**

Rating sensitivity factors

- Ability to scale up operations while maintaining stable profitability.
- Improvement in gearing level.
- Working capital management.

Outlook: Stable

Although FAL has a short track record of operations, SMERA believes the company will remain strategically important to the Amtek Group. The outlook may be revised to 'Positive' in case the company reports significantly higher-than-expected revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the credit risk profile, or in case the company receives lower-than-expected support from the Amtek Group. The outlook may also be adversely affected in case of delays in stabilisation of the company's operations, or in case of deterioration in the company's capital structure on account of larger-than-expected debt-funded capital expenditure.

About the company

FAL, incorporated in 2010, is a Delhi-based company engaged in manufacturing of ferrous components. FAL has a factory unit in Pune, Maharashtra. The aforementioned unit was set up at a project cost of Rs.555.92 crore, which was funded through equity of Rs.205.92 crore and debt of Rs.350.00 crore. FAL's product portfolio includes ferrous casting components such as cylinder blocks, cylinder heads, cylinder housings, B. Pistons, B. Piston Housings, drive heads, axle arms, gear cases, trunion plates, front axle supports and crank cases. The company currently caters to the Amtek Group and other domestic original equipment manufacturers (OEMs). FAL registered revenue of Rs.125.00 crore (provisional) during April 2014 to September 2014.

Amtek Group (over USD 2.5 billion group) is a leading multi-national manufacturer of automotive components and assemblies for passenger cars, two-wheelers, tractors, light commercial vehicles, medium commercial vehicles and stationary engines. The Amtek Group has 65 manufacturing facilities across the world.

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