



SMERA RATINGS LIMITED

# Fenace Auto Limited (FAL)

*Rating  
Rationale*

**December 19, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Term Loan I	100.00	SMERA BBB+/Stable (Reaffirmed)
Term Loan II	150.00	SMERA BBB+/Stable (Reaffirmed)
Term Loan III	100.00	SMERA BBB+/Stable (Reaffirmed)
Cash Credit	75.00	SMERA BBB+/Stable (Reaffirmed)
Proposed Cash Credit	75.00	SMERA BBB+/Stable (Reaffirmed)
Proposed Letter of Credit/Bank Guarantee	25.00	SMERA A2+ (Assigned)

SMERA has reaffirmed the long-term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) on the Rs.500 crore bank facilities of Fenace Auto Limited (FAL). SMERA has also assigned a short-term rating of '**SMERA A2+**' (read as **SMERA A two plus**) to the Rs.25.00 crore bank facility of FAL. The outlook is '**Stable**'. FAL is an associate company of the Amtek Group. The ratings draw comfort from Amtek's support to the company. The ratings also draw comfort from the strategic location of the company's manufacturing unit in Pune (major auto hub). The ratings are supported by the company's diversified 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. However, the ratings are constrained by the company's initial stage of operations in a highly competitive segment of the auto components industry. The ratings note 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 ratings on the bank facilities of FAL are 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.

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.



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### 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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